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China Report

ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

YU GUANGYUAN ON COMMODITY ECONOMY, SPIRITUAL CIVILIZATION

Taiyuan JINGJI WENTI [ECONOMIC ISSUES] in Chinese No 9, 25 Sep 86 pp 2-5

[Article by Yu Guangyuan [0060 0342 6678]: "Developing Commodity Economy and Building Spiritual Civilization"]

[Text] The reform currently carried out in China is a glorious revolution guided by Marxist theory. In other words, theoretical guidance is indispensable to reform. Without correct theoretical guidance, even certain changes during the period of reform cannot become the reform we talk about. We have been making theoretical inquiries on reform since 1978, and such inquiries are still being made, which clearly shows that achievements from theoretical study of reform fall far short of the demands of practice. Because numerous theoretical issues of reform must be resolved, some of them have already been raised and studied but still need to be developed in extent and in depth, and it can be said that some have not been properly addressed and studied, for instance, the relationship between reform of the political system and economic restructuring. The issue concerning the relationship between developing socialist commodity economy and building spiritual civilization, the issue concerning the Marxist theory of that state, and the issue concerning Marxist social standpoints and theories of social concepts have not been unfolded and analyzed.

The theoretical issue of commodity economy is one that has been rather fully discussed in recent years and that has made major theoretical achievements. It may also be considered the most important issue that has been raised in the current reform and that has been resolved in some ways. On this issue, we have reached new heights in affirming that the socialist economy is still a commodity economy. This is a development in Marxist political economy. This development is achieved through the hard work of a lot of people. But we ought to recognize that still a series of issues have not been completely resolved. Therefore, even in an area where we have achieved the most, there remain numerous issues for us to study in depth and to open up.

The Party Central Committee has already recognized that our theory lags behind practice. Comrade Wan Li [8001 6849] recently pointed out that the political issue may also be discussed, which is a breakthrough in social and political life. I feel that the most valuable academic issues are those with the most practical significance for our reconstruction and for completing our

historical tasks at the present stage, which are the most important political issues. Avoiding these issues is out of the question. Our present conference must create a tolerant and flexible atmosphere. A tolerant and flexible atmosphere cannot be tolerant and flexible only to one point of view and not others. I believe that we should also provide a tolerant and flexible atmosphere to those who disagree with a commodity economy. All points of views must be openly discussed. Academic discussions do not have to produce conclusions. As long as the viewpoints are definite and arguments fully developed, it will be a considerable gain. In theoretical inquiries, we must insist on neither uniformity of views nor uniformity of language; we cannot say that some terms may be used and others may not. We should free ourselves from the bonds that hamper our thinking, study and advance. I feel that Comrade Liu Guoguang's talk which quoted from Comrade Wan Li should become the guiding ideology of this conference.

I wish to make three major remarks on the issue of developing commodity economy and building spiritual civilization. First, we should enthusiastically welcome the progress made in building spiritual civilization in China by building modern material civilization, reforms (including economic restructuring, reform of the political system and reform of the education system), and the open door. Second, we should enthusiastically build spiritual civilization in order to suit the demands raised by building modern material civilization, reforms and the open door. Third, we should correctly handle and resolve the contradictions arising in the advance in building spiritual civilization brought by modernization, material civilization and the open door.

The first remark consists of the following points: acknowledge and fully assess the necessity of this progress, it is incorrect to deny and underestimate the progress brought to the building of spiritual civilization by modernization, reform and the open door. With such an understanding, it seems that everything brought along by reform and the open door are mistakes and shortcomings, which totally does not match the facts. We have made considerable progress in reform and the open door in recent years, not only must we be positive about it and acknowledge it but we must also correctly assess it. Where are the manifestations of this progress? First, the ideology, courage and conduct of reform are themselves a kind of progress in building spiritual civilization, while reform and the open door are also a kind of progress by themselves; secondly, reform and the open door have also brought zeal and vigor to construction, enthusiasm and hard work in learning new knowledge, ideological liberation, a stronger understanding of the harmfulness of dogmatism, emphasis on science and efficiency, quickening of the work rhythm, and perhaps some weakening of feudal and equalitarian thinking. Why should we not fully assess and publicize these good things? Why have we not fully taken the mainstream of reform, the open door and building spiritual civilization seriously? There seems to be a lack of written articles that theorize and publicize this area. In recent years, progress in building spiritual civilization has been striking and prominent. Whether we receive it with enthusiasm or treat it with indifference concerns the question of safeguarding or opposing reform and the open door.

The second remark means: can building spiritual civilization become an end? I believe it can. Man must develop and find expression for his talents and individuality, and building spiritual civilization can satisfy such a need. Man has a demand for spiritual culture. The need for such cultural growth must be realized through rich and dignified cultural life. Thus building spiritual civilization can become an end. Consequently, part of building spiritual civilization can be regarded as an end in itself. But we ought to recognize that it must serve building socialist material civilization, reform and the open door. It is both an end and a means. The essential task of socialism is to develop social productive forces, and building spiritual civilization must serve to develop productive forces. Reform precisely removes obstacles and initiate conditions for the development of social productive forces. By serving reform, spiritual civilization indirectly serves to develop productive forces. Building spiritual civilization is rich in content, part of which belongs to the superstructure and ideology. On this point alone, building spiritual civilization to serve reform means the superstructure and ideology serve to strengthen and develop the economic foundation to promote the development of productive forces. This is the basic function of the superstructure. This is similar in the relationship between building spiritual civilization and the open door. It is difficult to build spiritual civilization in times of material poverty. Of course, we stress building spiritual civilization not because of the gravity of the question of spiritual civilization but because modernization, reform and the open door have posed even greater social demands on building spiritual civilization, including establishing concepts and ideology that suit the requirements of modernization.

The third remark means: we must take the contradictions brought by building modern material civilization, reform and the open door seriously and fully estimate them, but we must recognize that these are contradictions in the course of advance and that the way to resolve this kind of contradictions is construction. One important guiding ideology is: building socialist spiritual civilization is essentially "construction," that is, we cannot solely rely on prohibition and criticism to resolve contradictions; we cannot engage in "head-on destruction". The material world has no vacuum, nor does the spiritual world. Negative things are undesirable but we must replace them with positive ones. We must therefore construct positively. What we currently lack is greater enthusiasm in building spiritual civilization.

To say that ideals are divorced from real tasks is empty talk. Man cannot be without imagination, but there are two kinds of imagination, one is fantasy and the other is not. Imagination that is not fantasy is the ideal we are talking about. To struggle for ideals, we must strive hard to realize immediate tasks that can be accomplished, constantly comparing imagination and reality. When we find points of contact between our imagination and reality, things will be easier to handle. When we have ideals, we must consider how to realize them. It will be empty talk if we put aside our immediate tasks. Communists must not only have communist consciousness and goals but must also struggle for them and contribute to communism. We say that ideals must be combined with real tasks. Only by combining with reality and time can ideals produce genuine impetus. Impetus is derived from the demands of reality. From the standpoint of China's economic reality, if we stress ideals we must

develop a socialist commodity economy. If we do not develop a commodity economy, it is empty talk to stress ideals. Consequently, stressing ideals is unified with developing a commodity economy; we cannot separate them.

Morality is determined by socioeconomic and other social conditions. It varies in different historical periods and among different classes. We cannot use the standpoint of small-scale production to treat the question of morality. Take motivation for money as an example. I believe that a commodity economy is bound to be motivated by money; where can we find a commodity economy that is not? It is certainly wrong to be motivated by money in everything one does, but it is also wrong to have no motivation for money in all matters. Advocation of doing everything not for money and of behavior that opposes the development of a commodity economy and damages a commodity economy is also unethical. Morality always exists in specific behavior. It should be practicable. Those who are engaged in business must have business ethics, and those who are engaged in politics must have political ethics. Someone said that we could not draw commodity economic principles into interpersonal relations. These words sounded familiar, and later I was told that they were set forth in articles when the "gang of four" was in power.

Politics itself does not belong to the issue of spiritual civilization, but in political life there is the question of civilization. Talks on democracy, legal system and discipline all come under the category of spiritual civilization. A commodity economy demands freedom. We should have this kind of freedom and we should have economic independence and autonomy and be solely responsible for our profits and losses. A commodity economy must have commodity managers and it will not work without freedom. Reform of the political system must combine with economic restructuring. Without the freedom to manage commodities, how can a commodity economy be developed?!

On the question of Marxism in the issue of developing a commodity economy. Some of my views differ from many of the currently popular ones. This is the case ranging from the purely document-oriented question of whether Marx and Engels believed that commodity production does not exist in the early phase of communism, to the substantive question whether we can discuss our economy in separate terms of a planned and a market economy. On the relationship between a market economy and a planned economy, people's understanding has undergone three stages: in the first stage, planned and market economies were regarded totally and mutually exclusive. Moreover, this issue was discussed in terms of the advantages and disadvantages of the two systems of socialism and capitalism. For instance, some Marxist economists believed that if we did not struggle against the market it would inevitably lead to capitalism. In the second stage, it was believed that planned and market economies could be combined. The development of this issue was also divided into two phases. In the first phase it was regarded a negative combination, one that was narrow in scope; and in the second phase it was regarded a positive combination, one that was broad in scope. The former could be represented by Stalin's "Question on the Soviet socialist economy," the latter was represented by the views of some subsequent Eastern European scholars. The viewpoint in the third stage is the new heights reached by China in recent years. It holds that the socialist economy is still a commodity economy and that socialism is by nature a type of commodity economy. Of course, its first inherent quality

is socialism, a commodity economy built on public ownership. I believe that the basic characteristic of a socialist economy is building a commodity economy of public ownership with distribution according to work. Therefore, our economy is planned development of a commodity economy and does not use planning to restrict the commodity economy. I feel that the question whether the planned economy or market economy plays a dominant or secondary role does not exist. In my opinion, the view that equates a planned economy with a socialist economy cannot be established. It is not true that as long as there is planning it is a socialist economy, or as long as there is a market economy in the economy it is a capitalist economy. I believe it is not necessary to differentiate the two concepts of commodity economy and market economy; there is no difference between them. Commodities must be sold in the market and their prices must be realized in the market, so that a commodity economy is a market economy. What we need to distinguish are socialist market economy and capitalist market economy. Our market economy is not the market economy in capitalist countries which needs no planning. Our market economy is a limited term. The market economy mentioned in the "Resolution" refers to the type of market economy that are totally without planned regulation. Consequently, the basic dividing line between our market economy and capitalist market economy should be that the two systems are different and the production goals are different. As for planning and markets, it is a question of operations in a commodity economy and is one that belongs to the question of mechanism. The question between planning and markets is not one of combination. Planned development of our economy is planned development of a commodity economy, not a combination of planning and markets. We should view today's commodity economy from the standpoint of the third stage and should not remain in the first or second stage. No doubt, the view associating a planned economy with socialism and a market economy with capitalism stemmed from certain facts of historical development. This is because there is a rather long period of time in capitalism when there is no national economic planning while socialism does not deal with commodity economy from the very start. Yet along with further development of the economy, great changes have taken place in reality. Our theory should not merely be a simplified description of a part of social development but should use the method of abstraction, the methodology of theoretical analysis, to analyze the cause and effect of historical facts in order to obtain correct conclusions and to shape a genuine theory.

In that case, is the formulation of planned socialist economy and a planned capitalist economy acceptable? I believe it is. Although they both deal with economic planning, they differ in form and substance, the goal-orientation, operating mechanism and methods of operation of a planned socialist economy. The object of its service is different from that of capitalism. This is the same with a market economy. Socialist and capitalist societies are not very simple. Since China is still in the initial stage of socialism, besides the socialist commodity economy there is also a non-socialist commodity economy; outside the planned economy there is also an unplanned commodity economy. Analyzed in concrete terms, some of the contradictions that have emerged in China are not those between planning and markets, but are contradictions between a planned market economy and an unplanned market economy.

From the standpoint of practice, the crucial issue is reform of the system of planning. We must basically transform the system of planning on the basis of

a correct understanding of the socialist commodity economy. At present, contradictions exist between the planned and the commodity economy because our planning has not been based on the requirements of a commodity economy. The methods of planning must also be transformed. Planning should be preceded by market forecasting, such factors as investment sources and economic results should be analyzed, and market goals should be determined. Our planning in the past allowed for unforeseen circumstances and did violate the accuracy of planning. Planning which allows for unforeseen circumstances is face-saving planning, which is in itself undesirable. However, I believe that scientific planning allows flexibility. Plans are themselves adaptable. We must have forecasting as well as opportune forecasting. Such forecasting has the foresight of objectivity and regularity for objective things, which is different from subjective forecasting. We must distinguish between commodity development planning and non-commodity development planning. Otherwise planning is bound to have contradictions with the commodity economy. Arbitrariness resulting from unscientific planning is even greater than arbitrariness of markets. As a result, face-saving planning and subjective planning are both undesirable.

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NATIONAL AFFAIRS, POLICY

CHANGES IN OWNERSHIP RELATIONS, FINANCIAL REFORM

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 86 pp 45-49

[Article by He Zhenyi [0149 2182 0001]: "Changes in Ownership Relations and the New Subject of Financial Reform"]

[Text] Along with the transformation of the operational economic model and changes in ownership relations, the type of reform needed by financial distribution and the way this reform should be carried out are an important issue that must be studied and answered immediately.

I. Friction Between Changes in Ownership Relations and Current Financial System

After several years of reform in China, many new changes have taken place in ownership relations as well as the system of ownership by the whole people in its specific existing forms and ways of realization.

First, in the internal relations of ownership by the whole people, along with the development of horizontal economic relations, state enterprises have broken through the barriers created by administrative subordinate relations, various forms of joint management such as trans-regional and trans-departmental cooperative management and joint management have developed, and a new state-operated economic form jointly established by owners at different levels, departments or regions has emerged.

Second, the isolation and strong fortification between ownership by the whole people and ownership not by the whole people have broken, giving rise to a mixed economic form of enterprises belonging to different systems of ownership which infiltrate and blend with one another. The leading factor of this economic form is primarily of the state-run economy. Judging by the trend of development, it may very possibly be the ultimate result of the development of the various economic components, which will lead to a new leap in the forms of ownership in China. If such an appraisal is reasonable, the mixed economy will gain importance in economic restructuring. This will alter the intensive unitary character of ownership of the original enterprises, and the system of ownership by the whole people will independently exist no longer as state enterprises but in the form of state fund and state stocks.

Third, intensive changes in ownership relations of enterprises have caused changes in the subordinate relations between state enterprises and all levels of government and departments in charge. In the old economic system, state ownership of state enterprises was realized through administrative subordinate relations in the administrative forms of ownership at different levels, departments or regions. Along with the development of trans-regional and trans-departmental joint management and cooperative management among state enterprises as well as the new economic entity formed by mutual infiltration among enterprises of different systems of ownership, sole subordination to a specific system of ownership of a certain level, department or region has been superseded. National or local administrative units can no longer directly interfere in the production and management of enterprises as owners of entire enterprises, but can only exert influence on them as shareholders and exercise administrative control over them in the capacity of political authorities.

Distribution relations are manifestations of ownership relations. Changes in ownership are bound to cause and demand corresponding changes in distribution relations, and as a specially assigned component of distribution in production relations, financial distribution is bound to transform correspondingly to changes in ownership relations. The old form of financial distribution was complementary to the old ownership model. Although many changes have taken place in the old form of financial distribution through several years of reform, these reforms presumed no basic change in ownership relations particularly those of in the system of ownership by the whole people. Observed from the viewpoint of financial distribution complemented by the ownership relations, the existing form of distribution has not made a breakthrough from the old setup. Use of the old setup for this form of financial distribution to work together with the changed ownership relations is bound to cause all kinds of friction.

1. Contradictions between determining the scope of revenue and expenditure based on administrative subordinate relations of enterprises in the current financial system and the intensive pluralism in ownership relations of state enterprises. Determining the scope of revenue and expenditure in finance according to administrative subordinate relations even when enterprises are no longer subordinate to a particular national or local administrative unit will cause incompatibility between financial distribution and the new form of ownership. First, in financial revenue relations, it will cause separation between management entities (accounting units) and financial payment units, bringing all kinds of friction to collection relations. Second, in financial expenditure, it will cause inordination between regionalism in financial service and multi-regionalism in the use of benefits from financial service. In this way, as different administrative levels, departments or regions proceed from the consideration of benefits for their own region or department, they are bound to interfere in enterprise management activities in many ways, support whatever that is advantageous to their own region or department, otherwise obstruct with every means. Because of the inordination in the two areas mentioned above, not only will enterprises have no means to free themselves from the improper interference by different administrative levels, departments or regions, which is unfavorable to the complete realization of the reform of separating the functions of government and enterprises and is unfavorable to the development of horizontal relations among enterprises

across regions and trades, but because of pluralism in ownership relations of enterprises it will bring increased and multiple sources of interference.

2. Contradictions between the measure of loan repayment before taxes in the financial system and the separation of ownership of enterprise fund from management. Loan behavior of enterprises was originally a matter within the scope of enterprise management. According to the principle of unity between rights and responsibilities, if an enterprise has the right to borrow a loan from banks then it should be responsible for repaying it. So-called loan repayment before taxes actually means public finance undertaking the responsibility to repay loans for enterprises. Enterprises have the right to borrow loans and enjoy the benefits of the loan but they do not shoulder the responsibility for risk and to repay the loan; public finance shoulders the responsibility for risk and loan repayment but has no authority to decide whether an enterprise may or may not borrow. Not only does this form separating authority and responsibility reverse the principal-subordinate relationship between the ownership and management of fund, it is not too different from the old system of fund supply and it causes enterprises to lose consciousness in their control of investment behavior.

3. Contradiction between the growing impetus of enterprises to pursue profit and the inadequacy of the existing form of distribution between finance and enterprises to control enterprise behavior. Along with the reform of the system of ownership by the whole people and the corresponding formation of the status of state enterprises as independent commodity producers, profitability and size of profit of enterprises have become the basic factors in determining the success or failure of their management, how beneficial they are and the level of employee welfare, so that it is unavoidable for enterprises to pursue profits. Moreover, under the effect of the law of value, due to existing imbalance of the operations of various economic mechanism, contradictions between boosting profits by enterprises and social interest may often arise. Consequently, controlling the behavior of enterprises and guiding the profit-oriented goal of enterprises to a course consistent to the goal of common social interests has become an objective demand of a planned commodity economy.

The behavior of enterprises is determined by the form through which they may obtain self-benefit and by the way to realize their interest. The realization of interest is ultimately determined by distribution, and the process of distribution is in essence also a process to realize interest. Therefore, in order to control the behavior of enterprises in their pursuit of profits, we must begin by correctly handling the distribution relations between state and enterprises, closely connecting the interest of enterprises and the interest of society, making the pursuit of social results the way for enterprises to obtain and realize self-interest. However, according to the current method of distribution between state finance and enterprises, the amount of benefit for an enterprise is linked only to the total profits obtained by the enterprise and is unrelated to how desirable social results are. Enterprises have only to increase their total profits annually to bring a corresponding increase in benefits for themselves. This is an important reason why enterprises freely engage in extensive expanded reproduction today. What should be particularly pointed out is that when an enterprise has no problem in

marketing its products, increasing the ratio of fund by this means is decisive for the amount of benefits for the enterprise. By merely increasing the fund for extensive expanded reproduction, enterprises may not only obtain various advantages in upgrading their scale but because of the increase in their output value, their total profit, total retained profit and staff welfare and cash bonuses will increase even if their cost goes up and the efficiency on their funds decreases. Therefore, not only is the current form of distribution between public finance and enterprises unable to control enterprises and reorient them to social results, but on the contrary, to a certain degree it supports their pure pursuit of the volume of profit and investment while they overlook improving social results. This runs counter to the demand for exercising macro-control over enterprise behavior.

II. Ways and Countermeasures in Financial Reform

In order to resolve the various contradictions discussed above, consideration has been given to the tendency of change in ownership relations particularly those in the system of ownership by the whole people, and perhaps it is necessary for public finance to adopt the following countermeasures and reform measures:

First, better reform the management system of state fund, draw a clear distinction between the responsibility and authority of its investors and managers and clearly define the responsibility of enterprises using state fund in order to enhance the function of public finance in restricting the behavior of enterprise fund. At present the behavior of enterprise fund is not normal mainly because of the separation between authority and responsibility in the distribution and use of state fund. To overcome this drawback, we may consider adopting the following countermeasures:

1. Continue to regulate the utilization of fund between state and enterprises. On the basis of keeping sufficient production development fund for enterprises to safeguard the needs of intensive expanded reproduction, change the measure of loan repayment before taxes to the that of loan repayment by enterprises using their own fund. Moreover, on the basis of implementing the enterprise bankruptcy law, enterprise management losses should no longer be subsidized in order to clearly define and harden the responsibility of enterprises in their use of state fund.

2. Practice standardization in financial management of enterprises. Public finance will only act as representative of the investor of state fund, supervise the collection of legal dividend of state fund from enterprises, protect the interest of state fund, represent the government in supervising the implementation of financial and economic decrees and financial policies on enterprises, and will no longer directly interfere in the routine financial and management activities of enterprise managers in order to delimit the scope of authority between investor and manager, safeguard full autonomy of enterprises in financial management and clearly define the substantive responsibility of enterprises for the state fund they use.

3. For newly-constructed enterprises invested by the state, bidding should be conducted not only in construction in order to perfect the method of "changing

from allocation to borrowing of fund", but should also be used in management when construction is completed and production begins. The state fund management and administrative organ established by financial departments should advertise for the hiring of factory directors. The director hired will sign a contract with the fund management and administrative organ which stipulates realization of the goal of social benefits during the director's term of office and matters such as criteria for payment of legal dividend, thereby clearly distinguishing the responsibilities of the investor and the manager.

Second, reform the state budget management system, establish a budget for the management and administration of state fund and exercise centrally planned management over state fund in order to resolve the contradictions between the intensive pluralism of state enterprise ownership and the barriers created for ownership of state fund. The change from decentralized administration to centrally planned administration of state fund does not mean that we want to revive the old way of centralized revenues and expenditure. The original financial system practiced centralized revenue and expenditure in the distribution between public finance and enterprises, but the relations between public finance and national and local administrative units are very decentralized. Current reform should further perfect the expansion of authority of enterprises and appropriately centralize the different levels, departments or regions. In the administration of state fund, this is the only way public finance can become able to suit the needs of changes in ownership relations, particularly the adjustment of relations in the system of ownership by the whole people. The change from decentralized to centralized state fund requires the adoption of the following countermeasures:

1. Strictly separate economic administrative control by government organs from the management and administration of state fund. The distribution and administration of state fund is directly under the leadership of the premier of the State Council, authorizes only the state fund management and administrative organ of the Ministry of Finance to exercise power and also charges it with total legal responsibility for the results in the use of state fund. No other government organ has the authority to directly interfere with the distribution and use of state fund. In their use of state fund, other responsible economic departments, based on the needs of the national economic development plan and of a balanced economy, have the authority merely to set forth the requirements of scale, projects, technical and economic targets needing state investment for one's own department and trade as well as requirement of financial policies and other regulatory measures that need to be adopted. Whereas, public finance specifically determines the direction and form of investment of state fund based on the requirements of the various departments and the overall circumstances and needs of national economic development in order to realize the specific methods of financial policies and financial levers adopted for the goal. This is the only possible way we may thoroughly resolve the state of confusion in the management of state fund in which everyone has authority but no one undertakes the substantive responsibility, authority and responsibility are separated, and responsibilities are unclear.

2. Differentiate the scope of responsibility of various levels of government in economic construction, concentrating the authority for production-oriented investment in the hands of the central government and provinces (or economic areas). The central government will be responsible for investment on the overall national economy and the weak links of the national economy required for key development in national economic plans and programs in different periods of time. Provinces and economic areas will be responsible for the investment dealing with the overall situation of their own regions but not of the state. Regardless of the provinces or the central government, there will be no further investment on construction projects of existing enterprises or enterprises in general. For non-production type of construction investment, with the exception of a few key national and trans-regional projects which will be undertaken by central finance, all other projects including social public facilities and basic urban facilities will be the responsibility of city and county governments, and cities will no longer undertake production and construction investment. This will effectively separate the functions of government and enterprises, ensure that city governments will concentrate their energy on running the society, giving full and effective play to their proper service functions.

3. Rebuild the budgetary system, separating the production-oriented construction investment from the original state budget, correspondingly designate the sources of revenue and establish a special budget. Establish two budgets under the general state budget. One is the state fund management and administration budget. Tentatively, the income of this budget can include the legal dividend, income of state fund, income from production-oriented construction bonds issued at home and abroad, and income from state enterprises that need to be closed down or fund returned to the state. Expenditure should be production-oriented investment expenditure, principal and interest payments for bonds, various expenses which investors are responsible for, and various policy-oriented subsidy expenses needed in utilizing financial levers. The other budget is the social development and social and economic administration budget. The budgetary revenue and expenditure includes the original state budgetary revenue and expenditure less everything other than the state fund management budgetary revenue and expenditure. In the course of formulating and implementing the budget, funds should not be circulated between the two budgets. In this way, it will be possible to realize the change over to management and administrative departments by the Ministry of Finance in suiting the needs of planned commodity economic development, which will result in proper management of state fund and increase in financial elasticity, help bring the role of financial levers into full play and prevent production-oriented expenditure and expenditure that is not production oriented in public finance from crowding each other out, thereby giving total play to the functions of public finance and ensuring total satisfaction of common social needs.

Third, reform the way of distributing benefits between state and enterprises in order to improve enterprise behavior and to ensure full realization of the ownership of state fund.

1. Change the current means of distribution which merely links the benefits of enterprises to their total profits, connect the benefits of enterprises

with the social and economic results of their production and management as well as their profit margin so that the benefit for enterprises will fluctuate with the quality of their actual economic results.

2. Practice a system of legal responsibility for the efficiency of state fund in order to solve the problem of soft budgetary restraint caused by the lack of substantive responsibility in the use of state fund by enterprises. In this regard, we have trial implemented the measure of fee for the use of fund and dividend system. Results of this experiment showed that these two methods have their own advantages and disadvantages. The ratio of expenditure in the system of fee for the use of fund is fixed, which must be paid regardless of the actual benefits of management by enterprises and is advantageous to hardening the responsibility of enterprises in the use of state fund and will play a substantial role in pushing enterprises to increase the efficiency of the use of state fund. The disadvantage is that the responsibilities of the investor and manager are all pushed over to the enterprise, particularly regardless of the correctness of the investment policy of newly-built enterprises, profit or loss brought by this has nothing to do with enterprise management, and obviously it is unreasonable if the enterprise is made responsible for it. The dividend system is distribution according to the actual results of management of the enterprise, with both the investor and manager jointly taking the risk of investment and management. This is also not reasonable enough. Theoretically, the achievement of enterprise management is the overall manifestation of investment policies and results of management and administration, but actual circumstances are much more complex. Perhaps, the investment policy is correct but enterprise management and administration are improper, or perhaps this is the exact opposite. Under these two situations, it is unfair that the investor and manager are jointly responsible for the risk. The shortcoming of the fee payment system and the dividend system lies in its inability to distinguish responsibilities for the use of fund when distributing benefits, consequently it is necessary to find a new way. The tender method in project construction has been enlightening, and perhaps it may be beneficial to use it in administering state fund. Bidding should be carried out for both newly-built and existing enterprises. For one who bids to undertake the level of legal dividend and to attain the level of social benefit, the dividend rate and goal of social benefits determined on the basis of bid results will be made the legal responsibility of dividend payments and criteria of assessment. Those hired during the term of contract will undertake complete economic and legal responsibility for this. In order to suit enterprises in the event of fluctuating conditions in management during the year and in order to ensure safety of state fund dividend, we can follow the example of "cumulative preferred stock" of stock companies. Regardless of the status of profit of the enterprise, it must first pay the state the full amount of legal dividend. If the enterprise does not have sufficient surplus to pay for the legal dividend for the year in concern, it can be made up from surplus in the following year. This measure is similar in form to the system of fee for the use of fund but is actually different. The difference is that it has undergone bidding and set a legal dividend rate which can eliminate the factor of good or bad results caused by the investor due to good or bad policies. If the investment policy is faulty, produces no result and consequently no one makes a bid, the investment policymaker will be held accountable to the state, bearing all economic and legal

responsibilities. This helps distinguish and define the responsibility of both investors and managers.

III. Public Finance Cannot Withdraw from the Realm of Production and Construction Fund Distribution

One view holds that the numerous drawbacks in economic administration are related to the adoption of state ownership by the system of ownership by the whole people and to the distribution and supply of state fund by public finance. Reforming financial distribution alone without changing the system of state ownership and the means of financial distribution and supply of fund cannot possibly overcome the deficiencies in the use and administration of state fund. Consequently, public finance must withdraw from the realm of distributing and supplying production and construction fund in order to change the form of state ownership. It is undeniable that some of the drawbacks in China's economic administration are indeed related to the shortcomings of the means of financial distribution, but this is not related to public finance distributing and supplying fund as a representative of the owner of state fund. In a socialist society, adoption of state ownership by the system of ownership by the whole people and distribution and supply of fund by public finance representing the ownership of state fund are determined by the character of the system of ownership by the whole people itself. Concerning the nature of the system of ownership by the whole people, it has two basic characteristics. First, from the standpoint of society as a whole, every means of production belongs to every worker. All workers are equal in terms of relations of the means of production, as "all citizens have equal power to use public means of production, public land and public factories to carry out their labor."¹ Second, from the standpoint of every worker, any means of production is public property, no individual workers or labor groups have the right to take direct possession of it. These two characteristics of the system of ownership by the whole people have determined that only the society (when the state exists, the state is the official representative of the society) can represent all the workers to take possession of the means of production and can accommodate all workers to share the ownership of the means of production and their benefits. Any attempt to abolish the representation by public finance of the ownership of fund by the whole people and to replace it with banks, individuals or groups thereby altering the state ownership system cannot possibly accommodate all workers to share the benefits of ownership of the means of production and is bound to obscure relations in the system of ownership by the whole people. After several years of discussion, very few people today persist on the argument to replace public finance by banks to distribute and supply state fund. Practice has proved that there is no way banks can replace public finance. Individual ownership of workers in property relations is exclusive. Historically, individual ownership of the means of production by workers has never existed as a universal phenomenon. Consequently, it is impossible to use individual ownership of workers as the existence and realization of the system of ownership by the whole people. Collective ownership is a form of public ownership in a socialist society, yet it is qualitatively different from ownership by the whole people. Collective ownership is public means of production within the limits of labor groups. It cannot accommodate workers outside the group to share the benefits of ownership rights of the means of production.

It is also an objective demand of the planned commodity economy for public finance to undertake the function of distributing state fund. Financial investment is necessary not merely to satisfy external conditions for developing socialist material reproduction but also to create internal conditions for material reproduction. It is self-evident that state finance centrally controls a part of the financial resources, invests on key projects that concern the national economy and people's livelihood and on weak links in the national economic development, and ensures proportionate development of the national economy. Some comrades argue that although public finance cannot completely withdraw from the realm of distribution of state fund, it can at least withdraw from the realm of investment on profit-oriented enterprises. One should say that investment on profit-oriented enterprises likewise cannot completely depart from the supply of fund from public finance. In profit-oriented enterprises there also exist various key projects that consume large amounts of funds and that take a long time to construct, such as large hydropower stations, nuclear power stations, trunk railway lines, large mines and oilfields. They cannot be undertaken by funds raised among individuals, collectives or enterprises.

Besides, from the historical perspective of the development of state finance, centralized investment by state finance will always exist. Such was the case with public finance in countries with slave societies in early times. Under modern capitalist conditions, because of the needs of resource distribution and the disposition of productive forces, it is frequently present in certain realms of production or certain trades and professions in certain regions. Although it is needed to develop social reproduction, obstacles to investment come about because there is no profit or temporarily there is no profit. In order to safeguard the development of social reproduction, financial investment has become an objective necessity. Today, there is not a single country in the capitalist world where public finance can completely depart from the realm of production investment. Even in the system of private ownership, production investment cannot completely depart from public finance. Under the conditions of socialist public ownership and planned commodity economy, public finance all the more cannot withdraw from the realm of production and construction fund distribution

REFERENCE

1. Lenin, "Liberal professors on equality," LIENING QUANJI [COMPLETE WORKS OF LENIN], Vol. 20, p. 139.

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PROVINCIAL AFFAIRS

GANSU GOVERNOR ON PRODUCTION, ECONOMY DRIVE ISSUES

HK160243 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 15 Apr 87

[Excerpts] A 5-day provincial symposium on increasing production and practicing economy in backbone enterprises concluded in Jinchuan on 15 April. The meeting summed up and exchanged methods and experiences of large and medium enterprises in launching this drive and studied questions of further invigorating the enterprises by separating ownership from operational powers and promoting a variety of responsibility systems. The meeting also summed up the experiences of these enterprises in leading forward economic development in the prefectures and counties by diffusing their production and organizing joint efforts.

Governor Jia Zhijie spoke during the meeting. He said: The large and medium enterprises have played a very good leading role in the drive to increase production and practice economy and increase revenue and cut spending. Their experiences represent a valuable spiritual resource and merit popularization, study, and reference throughout the province. In sum, their experiences boil down to the following:

1. They have regarded deepening enterprise reform as direct motive force in launching the drive.
2. They have a set of goals and measures based on current production and aimed at long-term development. They have regarded the development of lateral economic ties as an important way to tap potentials, increase income, strengthen the enterprises, and lead forward local economic development. They have embarked on their own unique road of lateral economic ties.
3. They have mapped out practical plans for the drive.
4. They have devised a set of effective moves for continually improving economic results. They have consistently regarded improving economic results as the cardinal link in production operations, and never relax this work.
5. They have a set of scientific, rational, and effective management methods. They have regarded all-round improvement in enterprise quality as a fundamental major affair in self-development.
6. They have the good work style of building the two civilization together.

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PROVINCIAL AFFAIRS

GUANGXI PROMOTES CONSTRUCTION INDUSTRY GROWTH

HK120300 Nanning Guangxi Regional Service in Mandarin 1030 GMT 9 Apr 87

[Text] Over the past few years, our region's construction industry has upheld the four cardinal principles, given first priority to reform, and gradually perfected different types of economic contracted responsibility systems during the consolidation of the construction market, thus bringing about the new situation of sustained, steady, and coordinated development within the whole construction industry.

Last year, the construction projects completed by our region's 35 state-owned construction enterprises achieved a construction output value of more than 440 million yuan. Of them, state-owned construction enterprises at and above the prefectural and city levels achieved a construction output value of 390 million yuan and their all-personnel labor productivity reached over 83 million yuan, thus respectively registering a 25.1 percent and an 11.3 percent increase as compared with 1985. The floor space completed by them in 1986 reached over 1,227,000 square meters, thus being basically equivalent to the floor space completed in 1985. The total output value and construction output value achieved in 1986 by construction enterprises directly under the regional construction engineering corporation increased by 24.2 percent and 25.1 percent respectively as compared with 1985's. Their all-personnel labor productivity, calculated on the basis of total output value, increased by 11.1 percent as compared with 1985's; their all-personnel labor productivity, calculated on the basis of construction output value, increased by 11.8 percent as compared with 1985's.

The autonomous regional environmental protection committee for urban and rural construction, the regional construction engineering corporation, and the regional construction workers trade union yesterday held a meeting in Nanning to commend the 1986 progressives in the regional construction industry, including 27 advanced enterprises, 93 advanced collectives, 44 model workers, and 418 advanced workers.

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PROVINCIAL AFFAIRS

HEILONGJIANG CONFERENCE ON BOOSTING FARMING-INDUSTRIAL OUTPUT

SK170643 Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 15 Apr 87

[Text] On the evening of 15 April, the provincial government held a telephone conference on penetratingly launching the campaign of increasing production and practicing economy, increasing revenues and cutting expenditures, and vigorously developing industrial and agricultural production.

The conference pointed out: We should mobilize the vast number of workers, staff members and cadres to penetratingly and constantly launch the campaign of increasing production and practicing economy and increasing revenues and cutting expenditures, vigorously grasp the work of changing deficits to profits, tap the potentials of enterprises for increasing production, place the focus of the work and concentrate our major energies on comprehensively increasing economic results, and fulfill more than one-half of the annual production plan by mid-year.

Governor Hou Jie and Vice Governor Wang Lianzheng spoke on the work of penetratingly launching the campaign of increasing production and practicing economy, increasing revenues and cutting expenditures, and attending to the provincial industrial and agricultural production.

The conference maintained: In the first quarter of this year, the province scored a 9.9-percent increase in the total industrial output value over the corresponding 1986 period, fulfilling the planned target and effecting a normal growth rate. However, there are still some problems which cannot be neglected, such as increased costs and deficits and declining efficiency. All levels of leaders should pay attention to these problems and adopt effective measures to actually solve them.

The conference stressed: We should further deepen the reform of enterprises. We should implement reform measures centering on the campaign of increasing production and practicing economy, increasing revenues and expenditures, and on increasing economic efficiency. In perfecting the plant director or manager responsibility system, we should be firm and unswerving instead of taking a wait-and-see attitude. We should try out various management forms among among large and medium-sized enterprises and strive to make an actual step in invigorating such enterprises. Among small enterprises, enterprises which

make a small profit, and enterprises which suffer a loss, we should rapidly implement the leasing system on a large scale and varied forms and strive to make a big breakthrough in this regard. The conference also called on various localities to vigorously readjust the product mix, grasp the production of readily marketable products, and restrict, stop, or transfer to others the production of unsalable products.

The conference called attention to the failure in fulfilling the provincial target on lowering energy consumption set for the industrial and communications front in the first quarter of this year. Therefore, in the second quarter, the industrial and communications front should effect marked progress in strengthening and improving enterprise management, with the focus on improving the quality of products and lowering materials consumption, in order to comprehensively fulfill the goal of increasing production and practicing economy and increasing revenues and expenditures.

The conference also stressed: All localities should draw a lesson paid for in blood, and regard safe production as an important content of the campaign of increasing production and practicing economy, increasing revenues and cutting expenditures, and of the work of increasing economic efficiency.

The conference called on all localities to strengthen leadership over the campaign. First, we should implement the system under which top leaders of a locality assume responsibility for its work. Second, leaders should take the lead in going to the grassroots areas to conduct investigation and study and help grassroots enterprises solve their practical problems. Third, all levels of planning, financial, banking, materials, pricing, and industrial and commercial administrative departments should attend to service work centering on the development of industrial production, should help enterprises solve their shortage of raw materials and funds, should check the surreptitious price hikes of means of production covered by the plan, should check unreasonable levies from enterprises, and should provide still more convenient conditions for enterprises to develop production.

In terms of agriculture production, the conference pointed out: First, we should continue to grasp the signing of contracts for grain purchases. All localities should neither raise the quotas at each level nor will fully increase the purchase volume of grain. Second, we should strive to implement various grain policies. The conference called on all localities to concentrate energy on wheat sowing, make good preparations for combating disasters and ensuring spring farming, and adopt feasible measures to help poverty-stricken households plant their crops. The conference also called on various localities to grasp flood prevention in order to ensure safety during the flood season.

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PROVINCIAL AFFAIRS

HUBEI LEADER STRESSES LAND MANAGEMENT WORK

HK210631 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 20 Apr 87

[Text] A provincial work conference on land management concluded yesterday. In his speech at the conference, Wang Libin, vice governor of the provincial government, demanded that all areas conscientiously implement China's land law and successfully promote land management as they have done in promoting family planning.

Comrade Wang Libin said: Over the past year and more, areas throughout our province have conscientiously implemented state regulations and law governing land and achieved good results in this regard. The whole province has investigated on more than 310,000 nonagricultural land cases, handled over 200,000 nonagricultural land cases, and sent back [tui huan] more than 30,000 mu of cultivated land, thus basically checking the unhealthy tendency toward arbitrary occupation and use of land. However, we must not lose sight of the fact that after the implementation of China's Land Law, cases involving the unlawful practice of arbitrarily occupying and using cultivated land without authorization have occurred occasionally in a few areas.

Comrade Wang Libin demanded that leading cadres at all levels take the lead in studying and implementing the land law, and do well from start to finish in investigating and handling nonagricultural land cases. In particular, leading cadres at all levels must strictly investigate and deal with those new violations of the land law that occurred after the land law was put into effect, and bring land management into the orbit of unified and planned management. Under the support of party committees and governments at all levels and all departments, land management departments at all levels must perfect their organizational structures, impartially enforce the law, make investigations on land resources in a planned way, and provide a scientific basis for planned utilization of land.

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PROVINCIAL AFFAIRS

JILIN COMMUNIQUE ON 1986 ECONOMIC DEVELOPMENT

SK160151 Changchun JILIN RIBAO in Chinese 25 Mar 87 p 2

[Communique on 1986 Jilin Provincial National Economic and Social Development issued by the Jilin Provincial Statistical Bureau on 24 March]

[Text] In 1986, under the leadership of the party Central Committee, the State Council, and the provincial party committee and government, the people of various nationalities throughout the province upheld the four cardinal principles, conscientiously implemented the principle of reform, opening up and economic invigoration, deepened reform continuously, and maintained the sustained, stable and coordinated development of the national economy. According to initial statistics, the total social product for the year was 47.05 billion yuan, an increase of 7.3 percent over the previous year; the industrial and agricultural output value came to 32.19 billion yuan, an increase of 7.2 percent; the national income totaled 18.88 billion yuan, up 6.5 percent, and the gross domestic product reached 22.56 billion yuan, a 7.1-percent increase. (Footnote: The total social product, national income, and the gross domestic product listed in this communique are calculated in terms of 1986 prices. The growth rate is calculated in terms of comparable prices. The total industrial and agricultural output value is calculated in terms of 1980 constant prices.) On the basis of developed production, the urban and rural markets became increasingly thriving, the people's living standards showed continuous improvement, a balance between revenues and expenditures was achieved with a small surplus, new achievements were scored in scientific, technological, cultural, educational, health, sports and other social undertakings, new progress was made in building the spiritual civilization, and the political situation of stability and unity was further consolidated. This marked a good beginning of our endeavor to comprehensively fulfill the Seventh 5-Year Plan for national economic and social development.

1. Agriculture

In 1986, our province carried out the principle of "never slackening grain production while actively developing diverse production" in agricultural development, deepened rural reform continuously, actively readjusted the rural production setup, increased the material and technological input to agricultural production from various fields, strengthened socialized service,

actively encouraged the party, the government, the army and the people to cooperate in the antiflood and emergency rescue work, and therefore reaped a good grain harvest despite serious disasters. The annual agricultural output value was 7.7 billion yuan, up 4.4 percent over the previous year.

Grain output, in particular corn output, showed a substantial increase, but the areas sown to cash crops were reduced, and hence a decline in their output.

The output of major farm products was as follows:

	1986	% increase over 1985
Grain	13.977 million tons	14.1
Of which: Paddy rice	1.743 million tons	-5.1
Corn	10.164 million tons	28.2
Soybeans	837,000 tons	-7.5
Oil-bearing crops	388,000 tons	-19.7
Of which: sunflower seeds	311,000 tons	-11.1
Hemp	7,256 tons	-42.9
Beets	598,000 tons	-31.9
Flue-cured tobacco	11,000 tons	-30.3
Cultivated ginseng	6,580 tons	27.3

With the further implementation of forestry policies, the people's enthusiasm for planting, managing, and protecting trees was aroused and afforestation was promoted. The province afforested 3.08 million mu.

New developments were achieved in animal husbandry production. The output of pork, beef, mutton and other animal byproducts increased notably, and the number of the animals in stock declined.

The output of major animal byproducts, and the year-end number of livestock were as follows:

	1986	% increase over 1985
Meat	375,000 tons	17.0
Of which: pork	317,000 tons	11.2
beef	22,000 tons	108.4
mutton	4,726 tons	50.2
Milk	77,000 tons	25.7
Poultry and eggs	181,000 tons	3.2
Pilose antler	32.4 tons	-2.6
Sheep wool	4,975 tons	-3.2
Large animals at year end	2.849 million head	-3.3
Of which: cattle at year's end	1.062 million head	-3.9
Pigs at year's end	4.812 million head	-3.2
Sheep at year's end	1.429 million head	-5.5

Fishery production showed a further increase. The output of aquatic products totaled 38,000 tons for the year, showing a 29.6-percent increase over the previous year.

Improvement was made in the conditions for agricultural production. By the end of 1986 the aggregate power of the province's farm machinery reached 5.29 billion watts, an 11.0-percent increase over 1985. There were 39,000 large and medium-sized tractors, a 6.5-percent increase; 115,000 small and hand-guided tractors, a 31.2-percent increase; and 8,755 trucks for agricultural use, a 31.2-percent increase. The power of irrigation and drainage equipment was 740 million watts, a 2.7-percent increase. The acreage of fields under mechanization totaled 22.93 million mu, accounting for 37.9 percent of the total sown acreage, or a 10.3-percent increase over 1985. A total of 607,000 tons of chemical fertilizers were applied during the year, a 16.5-percent increase over 1985. The total consumption of electricity in the rural areas was 1.39 billion kwh, a 16.8-percent increase.

Economic reforms in the countryside continued to develop in depth, the rural economic structure was further readjusted, and the nonagricultural economy developed rapidly in the countryside. According to initial statistics, the total rural product of society in 1986 reached 14.57 billion yuan, a 9.1-percent increase over 1985. Of the sum, the total output value of rural industry, construction, transport, and commerce increased 19.1 percent, bringing up their proportion of the social production from 31.1 percent in 1985 to 32.4 percent in 1986.

2. Industry

In 1986 industrial enterprises in the province focused on increasing economic results, adhered to the simultaneous grasping of growth rate, efficiency, level and momentum, vigorously readjusted product mix in line with market demand, positively developed new products, increased the production of readily marketable products, strived to expand sales, strengthened lateral economic associations, overcame the substantial decrease in the production of vehicles, relieved the shortage of energy and raw materials, eliminated the factor of increased expenditures and reduced revenues of enterprises, and continued to maintain a stable increase in industrial production. The total annual industrial output value was 24.492 billion yuan, an 8.1-percent increase over 1985. Excluding rural industry, the total industrial output value was 22.842 billion yuan, a 7.0-percent increase. Of the total, the state-owned sector's output value was 17.178 billion yuan, a 5.4-percent increase; collectively owned industry, 6.354 billion yuan, a 12.1-percent increase; and private industry and commerce, 951 million yuan, a 43.8-percent increase over 1985. Output of readily marketable products turned out by light and textile industrial enterprises increased remarkably.

The output of major light industrial products was as follows:

	1986	% increase over 1985
Cloth	199 million meters	17.2
Of which: chemical fiber		
cloth	470,000 meters	-22.8
Chemical fiber	22,100	9.2
Woolen goods	5.434 million meters	11.3
Machine-made paper & paper board	507,300 tons	3.8
Wine	389,000 tons	16.1
Cigarettes	375,000 boxes	19.0
Sugar	75,900 tons	6.2
Synthetic detergent	30,600 tons	1.4
Bicycles	546,300	21.1
Wrist watches	956,000	-38.8
Television sets	104,900	-56.6
Of which, Color sets	47,200	46.5
Washing machines	467,700	39.4
Furniture	2.132 million	-16.1

Heavy industry developed steadily. The annual heavy industrial output value was 13.885 billion yuan, a 4.0-percent increase over 1985. Relatively big increase was made in the energy and raw materials industries.

The output of major heavy industrial products were as follows:

	1986	% increase over 1985
Primary energy (in terms of standard coal)	21,419,400 tons	10.0
Raw coal	21,330,100 tons	-7.7
Crude oil	2,370,200 tons	11.3
Amount of processing crude oil	3,314,800 tons	15.4
Power output of which	16.296 billion kwh	21.8
hydroelectric power output	6.632 billion kwh	81.3
Finished rolled steel	542,700 tons	25.2
Iron alloy	222,800 tons	11.4
Timber	6,857,000 cubic meters	8.0
Plate glass	864,900 cases	-34.6
Cement	3,391,500 tons	14.7
Sulphuric acid	92,400 tons	9.7
Soda ash	17,900 tons	1.1
Caustic soda	67,200 tons	8.2
Synthetic ammonia	444,500 tons	0.7

	1986	% increase over 1985
Chemical fertilizer		
(new weight)	259,800 tons	1.9
Calcium carbide	116,600 tons	19.5
Plastics	35,600 tons	-12.6
Metal-cutting machine tools	2,195	6.1
Motor vehicles	67,038	-31.4
Tractors	63,250	10.6
Of which: small tractors	61,942	12.9
Railway passenger cars	873	-4.1

The development of new products accelerated and the quality of products improved. During the year we developed a total of 2,050 new products, of which the quality of 245 products attained domestic advanced levels. The output value of the province's quality products reached 4.733 billion yuan, an increase of 21 percent over the previous year. The proportion of output value of these quality products to the total industrial output value rose from 18.4 percent in the previous year to 21 percent. The rate of steady improvement in the quality of major products reached 94 percent.

In 1986, the amount of taxes and profits handed over to the local financial department by the industrial departments throughout the province rose by 7.1 percent over the previous year. The output value of local budgetary industrial enterprises increased by 7.3 percent; the revenues from sales of industrial products rose by 8.9 percent over the previous year; the taxes and profits of the industrial sector rose by 5.6 percent over the previous year; and the turn-over period for working funds was extended by 8 days; the cost of comparable products rose by 7.3 percent; and the amount of deficits showed a fairly big increase. The per-capita productivity of the state-owned independent accounting industrial enterprises rose by 3.4 percent over the previous year. Many medium-sized and small enterprises were poorly managed and their ability to cope with external changes and to assimilate new technology was low. Some of their targets for economic results were not well implemented.

In 1986, our province continued to grasp the whole range of reforms in the industrial enterprises, further improved and implemented the various forms of economic responsibility system with a focus on the contract systems, further mobilized the enthusiasm of the producers and consumers, and succeeded in strengthening the vitality of enterprises. By yearend a total of 1,840 state-owned industrial enterprises implemented the plant director (manager) responsibility system, accounting for 84.7 percent of the total number of state-owned industrial enterprises. Among the small state-owned enterprises, 6.6 percent of which implemented the system of collective operation while maintaining their ownership, the leasing system and the individual contracting system. We deepened the development of lateral economic cooperation and played an active role in increasing production and raising economic results.

The main problems existing in the industrial sectors were: The technology and equipment of a considerable number of enterprises is outdated, their

management backward, the product quality poor, their materials consumption is high, and their economic results were low. The production setup and the product mix should be further readjusted.

3. Transportation, Posts and Telecommunications

In 1986, the transportation departments adopted effective measures to raise the shipping capacity, resulting in a considerable increase in the volume of freight and the number of passengers carried. The gross volume of passenger transportation by various means of transportation during the year reached 15.54 billion person-km, an increase of 6.1 percent over the previous year. Of this, the volume of railway carriage increased 5 percent and the volume of road passengers increased 11.1 percent. The freight volume reached 38.74 billion ton-km, an increase of 2.2 percent. Of this, the volume of railway freight increased 2.2 percent, the volume of road freight increased 1 percent; and the volume of waterway freight increased 1.5 percent.

New progress was made in posts and telecommunications. The annual posts and telecommunications transactions reached 95.025 million yuan, an increase of 6.9 percent. Of this, letters increased 9.6 percent; the circulation of newspapers and magazines dropped by 18.3 percent; telegrams dropped by 17.6 percent; and long-distance telephone calls increased 8.1 percent. At yearend the number of telephones in urban use reached 92,875, an increase of 14.5 percent over the figure at the end of the previous year.

Although the current strained situation in transportation and post and telecommunications has been slightly eased, they still fall short of the needs of economic development.

4. The Investment in Fixed Assets and the Building Industry

In 1986, our province concentrated manpower, materials, and financial resources on guaranteeing the construction of state key projects within the scope of the state macroeconomic control, transformed a number of key enterprises, better fulfilled the investment plan for fixed assets, and achieved good investment returns. The investment in capital construction of the state-owned units reached 2.32 billion yuan, an increase of 3.8 percent over the previous year, thus the scope of capital construction was brought under control. We had an additional 1.99 billion yuan worth of fixed assets through capital construction during the year and the rate of availability of these assets reached 85.6 percent. The total floor space of housing completed during the year came to 4.434 million square meters.

After readjustment, the investment structure of capital construction was improved. Of the total investment volume in capital construction, 1.23 billion yuan was allocated for productive projects, an increase of 16.1 percent. The proportion of investment in productive projects to the total volume of investment in capital construction rose from 47.3 percent in the previous year to 52.9 percent. Of this, 140 million yuan was for the coal industry, an increase of 13.2 percent over the previous year and 90 million was for transportation, posts and telecommunications, an increase of 60.1 percent over the previous

year. The investment in nonproductive projects reached 1.09 billion yuan, a decrease of 7.2 percent from the previous year. The proportion of investment in these projects to the total volume of investment in capital construction dropped from 52.7 percent in the previous year to 47.1 percent. Of this, the investment in cultural, education and public health, and scientific research undertakings reached 300 million yuan, up 5.5 percent over the previous year, and the investment in housing reached 570 million yuan, a decrease of 12.9 percent from the previous year.

Rapid progress was made in the construction of key projects. Investment in the 20 state-assigned large and medium-sized construction projects came to 950 million yuan, which was 97.8 percent of the annual plan. During the year seven projects, including the transformation project for remodelling the products of the Changchun No 1 motor vehicle plant, the Hongshishui power station, the Jilin power transmission and transforming projects, the Changbaishan forest area, and the Tonghua and Hunchun mining areas were completed and partly commissioned.

The province's annual added production capacity from capital construction consisted mainly of facilities for producing 1.41 million tons of coal, 102,700 kw of power generating capacity, 100,000 cubic meters of timber, 30,000 cubic meters of shaving boards, 511.5 km of power transmission lines, 131,000 kv of power transforming equipment, 10,000 tons of cement, 420,000 rubber tires, 114,000 tons of grain storage capacity, 14,000 tons of cold storage capacity for the commerce sector, and 200,000 television sets.

The technological transformation projects were accelerated and helped increase momentum for economic development. The state-owned units invested a total of 1.59 billion yuan in updating and upgrading their equipment, an increase of 31.1 percent over the previous year. Of this, the investment in projects for reducing the consumption of raw materials and energy, increasing product designs and varieties, and raising product quality came to 490 million yuan, up 77.3 percent over the previous year. The proportion of investment in these projects to the total amount of investment for updating and upgrading equipment rose from 22.7 percent in the previous year to 30.7 percent. During the year, a total of 982 transformation projects were completed and produced an additional 1.22 billion yuan worth of fixed assets, an increase of 38.3 percent over the previous year.

New production capacity increased through renewal of equipment and technical transformation measures includes mainly 10,000 tons of oil, 270,000 tons of coal, 66,000 tons of copper, 300 tons of antimony, 3,000 tons of soda ash, 8,000 tons of synthetic ammonia, 8,000 tons of chemical fertilizer (the amount of finished products), 484,000 tons of cement, 128,000 cartons of cigarettes, 30,000 tons of alcoholic beverages of which 19,000 tons were beer, 11,000 tons of machine-made paper and paperboard, and 4,200 local telephone lines.

In 1986 the fixed asset investment of urban and rural collective units totaled 440 million yuan, the same as the previous year. Investment made by individuals in urban and rural areas was 1.69 billion yuan, a 17.2-percent decline from the previous year, of which 890 million yuan was made in building houses by peasants, a 9.2-percent increase over the previous year.

Reforms of the building industry and the capital construction management system were carried out step by step. In 1986, among the construction projects undertaken by state-owned construction units, 3,152 projects, or 98.2 percent, were built under the responsibility system of various forms; 8, or 50 percent, large and medium-sized ongoing projects were undertaken under the fixed-quota investment system; and 182 projects were undertaken through public bidding, amounting to 5.8 percent of projects built under the responsibility system. Projects which had enforced the fixed-quota investment system and the public bidding system fairly successfully achieved notable results in shortening the construction period, reducing construction costs, improving construction quality, and increasing economic benefit. Initial achievements were scored in straightening out the construction market. In 1986 the output value of the state-owned local building industrial units was 1.34 billion yuan, 26.2 percent over the previous year, their per-capita productivity reached 8,834 yuan, a 21.6-percent increase, and the fine-quality rate of their projects was 32.4 percent. The construction cost-reduction rate of local budgetary building and installation enterprises was 5 percent.

In 1986, geological and mining departments discovered 30 new deposits and verified the expansion of the mining area or the increase of reserves in 17 deposits. Fairly large reserves which were proven included 7.42 million tons of iron ore, 8.82 million tons of wollastonite, 590,000 tons of diatomite, 12.42 million tons of zeolite, 560,000 tons of bentonite, and 17.28 million tons of marble. The geological drilling footage fulfilled in the year was 91,800 meters, exceeding the annual quota.

Major problems in the capital construction was the inordinately large number, long construction period, and poor results of the projects, and poor management of the projects.

5. Domestic Commerce and Material Supply and Marketing

In 1986, thanks to the further development of our province's circulation system, the urban and rural markets were thriving, commodity supply was ample, and in particular, the supply of vegetables, meat, eggs, milk and other non-staple foods was better than the previous year. The total commodity retail sales of the province came to 14.2 billion yuan, an increase of 14.4 percent over the previous year (the actual increase was 8.5 percent when allowing for changes in retail prices). The increase of the retail sales of consumer goods was 14.1 percent, and that of the retail sales of the means of agricultural production 17.3 percent. The retail sales of the various sectors of the economy also showed substantial increases. The retail sales of state-owned units grew by 15.6 percent, those of collective units by 8.9 percent, those of private units by 23.2 percent, and those of the goods sold by peasants to nonagricultural residents by 18.6 percent. As compared with the previous year in terms of comparable standards, the retail sales of grain rose by 10.2 percent, those of edible vegetable oil 29.6 percent, those of pigs and pork 16.2 percent, those of fresh eggs 12.8 percent, those of vegetables 28.8 percent, those of aquatic products 29.9 percent, those of cigarettes 18.0 percent, those of recorders 30.2 percent, and those of washing machines 5.0 percent.

The urban and rural trade fairs showed great development. The number of urban and rural trade fairs increased from 1,269 in the previous year to 1,352 and their transactions totaled 1.75 billion yuan in the year, 28.6 percent over the previous year. The volume of vegetables sold in these fairs increased by 36.8 percent, that of pork, beef and mutton by 52.2 percent, that of fresh eggs by 26.5 percent, that of poultry by 17.5 percent and that of aquatic products by 68.9 percent over the previous year.

Market prices basically remained stable. The general retail price level increased by 5.4 percent over 1985, lower than the increase target fixed by the state. Of this, the retail price index rose 5.9 percent in urban areas and 3.5 percent in rural areas. Prices of consumer goods increased by 5.7 percent and the prices of means of agricultural production were reduced by 1.9 percent. Prices of foodstuffs rose 6.5 percent. Of this, prices of vegetables were reduced by 0.8 percent, prices of meat, poultry and eggs rose 10.0 percent, prices of aquatic products rose 17.3 percent, prices of fresh fruits rose 16.3 percent, the prices of clothes rose 3.3 percent, prices of articles of everyday use rose 5.3 percent, the prices of articles of cultural and recreation use rose 1.3 percent, and prices of medicines rose 2.3 percent. The cost of living index for workers and staff rose 6.0 percent and that for peasants rose 5.1 percent.

The scope of market regulation of goods and materials was expanded. By the end of 1986, the number of materials and goods which were distributed according to the province's plan was reduced to 26. There were eight trade centers for means of production. The total annual business volume of these trade centers reached 91.063 million yuan. The purchasing volume of the material departments increased by 6.6 percent over the previous year. The sales volume of major means of production were as follows: Rolled steel increased by 14.2 percent, timber increased by 4.2 percent, and cement increased by 31.5 percent.

Major problem existing on commercial front were as follows: Its economic results and its management and service levels did not suit the demands of the commodity economic development.

6. Foreign Economic Relations and Tourism

The province's foreign economic relations and exchanges were further expanded in 1986. The total annual import and export value was \$677 million, an increase of 22.9 percent. (The total import value was calculated without including the portion imported by general companies and ports.) The total export volume was \$525 million, an increase of 23 percent and the total import volume was \$152 million, an increase of 22.6 percent.

The province made new progress in its economic and technological cooperation with foreign countries. As of the end of 1986, the province established technological cooperation and trade relations with 35 countries and regions. In 1986, the province signed 38 agreements (contracts) on using foreign

capital, altogether worth \$43.18 million, an increase of 75.9 percent over the previous year. A total of \$25.76 million of foreign capital was actually used, a 4.5-fold increase over that of the previous year. A total of 139 technological projects were imported with a transaction volume of \$108.85 million. Newly signed contracts for overseas projects and labor service totaled \$10.04 million, an increase of 4.1 percent over the previous year. Business volume amounted to \$13.79 million, an increase of 48.8 percent over the previous year.

The international tourist industry has developed quickly. In 1986, the province received 27,000 people who were from 22 countries and regions to participate in our province's tourist, visiting, and exchange activities, an increase of 25.7 percent over the previous year. Foreign exchange earned through tourism during the year amounted to \$2.35 million, an increase of 42.4 percent over the previous year.

7. Science, Education, and Culture

Science and technology played an increasingly noteworthy role in economic construction along with the deepening of the scientific and technological restructuring. As of the end of 1986, 394,000 science professionals and technicians were employed in the state-owned units of various localities throughout the province, an increase of 15,000 people over the corresponding 1985 figure. Of this, 197,000 were natural science professionals and technicians, an increase of 7,000. In 1986, 288 scientific and technological research results were appraised. Of this, 98 results won prizes and 55 results reached or nearly reached national advanced levels. Better results were made in popularizing and applying scientific and technological research results thanks to establishing a group of associations which linked scientific research with production, and developing various forms of technological cooperation relations. The 105 projects arranged in the state and provincial "spark plans" were completely being carried out. The province scored results in 50 of these projects. Through strengthening weather forecast work, meteorological departments provided better service to agricultural and other departments and made positive contributions to the province's antiflood and rescue work.

Education drew more social attention and the reform of the educational structure was deepened continuously. We steadily developed educational undertakings and made new contributions to training personnel. In 1986, the local financial department allocated 617.52 million yuan of educational operating funds, an increase of 14.2 percent over the previous year. The province as a whole enrolled 1,711 postgraduates, a decrease of 150 persons from the previous year. The number of postgraduates came to 4,369, an increase of 1,039 persons over the previous year. A total of 287 persons received master degrees during the year. The enrollment of ordinary higher educational schools came to 20,400 persons, a decrease of 1,100 from the previous year. The total student body came to 65,500 persons, an increase of 6,000 over the previous year. The number of graduates reached 14,400 persons, an increase of 1,500 over the previous year. The total student body of adult educational schools

came to 73,800 persons, a decrease of 1,000. The total student body of ordinary senior middle schools reached 233,200 persons, an increase of 15,100 over the previous year. The total study body of ordinary junior middle schools reached 1,104,500, an increase of 64,000. The total student body of secondary specialized schools came to 58,100, an increase of 2,200 over the previous year. The total student body of all kinds of agricultural and vocational middle schools reached 148,400, an increase of 6,600 over the previous year, and the total study body of skilled workers' schools came to 35,000, an increase of 4,500 over the previous year. The province as a whole had 3,068,900 primary school students, and the attendance rate of school-age children reached 98 percent. The number of kindergarten students reached 380,900, an increase of 37,600 over the previous year. The total number of students in schools for the blind, deaf and dumb reached 3,857, an increase of 223 over the previous year.

New progress was made in the development of cultural, press, publication, cinema, broadcast, and television undertakings. During the year the Changchun Film Studio produced 21 feature films, and translated 11 feature films. The province as a whole produced a total of 23 television dramas and translated 23 television films. The film distribution units released 171 new (full-length) films, an increase of 6 films over the previous year. By yearend, the province as a whole had 5,692 film projection units, 96 art performing troupes, 61 theaters, 1,079 cultural and art galleries (stations), 54 public libraries (stations), and 15 museums. The province had a total of 14 radio stations, 32 broadcasting transmission and relay stations, and 13 television stations. There were a total of 45 television relay stations each with a capacity of 1,000 kw or above. The province as a whole published 38 local newspapers, with a total of 370 million copies. Some 54.997 million copies of magazines of various descriptions and 139 million copies of picture books were published.

8. Public Health and Sports

In 1986, our province continued to develop its urban and rural medical and health undertakings and to improve medical conditions. By the end of the year the province as a whole had 74,312 hospital beds, an increase of 3,562 over the figure at the end of the previous year and 107,879 specialized health and technical personnel, an increase of 2,470 over the figure at the end of the previous year. Among them, 40,122 were doctors, an increase of 303 persons; and 21,728 were nurses, an increase of 861 persons. Further improvements were made in medical technology. A total of 15 medical research findings of the province attained the ministry level. We achieved new results in preventing and controlling acute and chronic infectious disease as well as endemic disease. The incidence of 19 kinds of disease such as measles and epidemic encephalitis dropped by 23.3 percent from the previous year.

New progress was made in sports undertakings. Our provincial athletes won five gold medals, 2 silver medals and 6 bronze medals at the first Asian winter games. We won a silver medal at the women 1,000-meter cycling competition

at the 10th Asian Games. In national competitions, we ranked first in 105 events; and at the national women soccer competition, we won first prize. Mass sports activities were extensively carried out and sports came [as published] social activities. In 1986, the province as a whole held 3,121 sports meetings at the prefectural, and city (county) levels or above, and a total of 1.041 million athletes joined the competitions. A total of 1.961 million persons attained the requirements prescribed by the "state standards for physical culture and sports training."

9. People's Livelihood

Along with the development of production, living standards of the people in both urban and rural areas were greatly improved. A sample survey of urban employees' families showed an average annual per-capita income of 698.1 yuan for living expenses, an increase of 23.6 percent over the previous year. If price rises are factored in, real per-capita income rose 16.6 percent. A sample survey of peasant families showed an average annual per-capita net income of 456.7 yuan, an increase of 10.4 percent over the previous year. If price rises are factored in, the real income increased by 8.3 percent.

Employment increased and the reforms of labor system progressed. In 1986, 184,000 people found jobs in urban areas. The province had 4.709 million employees by the end of the year, an increase of 214,000 employees over the corresponding period of the previous year. Of them, contract workers in state-owned units reached 173,000, an increase of 63,000. Self-employed workers in urban areas reached 208,000. The province's wage-bill in 1986 totaled 5.57 billion yuan, an increase of 17.4 percent over the previous year. The average annual cash wage for workers and staff was 1,221 yuan, an increase of 13.0 percent over the previous year. If price changes are factored in, the real wage increased by 6.6 percent.

Urban and rural savings increased by a big margin. By the end of 1986, savings deposits of urban and rural residents reached 5.83 billion yuan, an increase of 1.44 billion yuan, or 32.8 percent over the corresponding period of the previous year.

Housing for urban and rural dwellers and infrastructural facilities were further improved. In 1986, 3.021 million square meters of housing floor space were built by state and urban collective units. By the end of 1986, urban areas' housing floor space reached 43.89 million square meters. The per-capita housing area of urban residents was 4.9 square meters, an increase of 0.3 square meters over the previous year. In 1986, 14.64 million square meters of housing floor space were built for the peasants, an increase of 4.69 million square meters over the previous year. The coal gas consumption volume of urban households reached 55.29 million cubic meters, an increase of 18.3 percent over the previous year. The liquefied gas consumption volume of households reached 17,269 tons, an increase of 9.7 percent over the previous year. A total of 72.2 percent of households were installed with tap water, an increase of 6.2 percent; and the areas with central heat supply system reached 2.9 million square meters, an increase of 31.8 percent.

Social welfare services continued to improve. In 1986, rural collectives provided for 34,000 orphaned, elderly, and disabled who had no other means of support. A total of 15,712 old people were supported by 636 rural old folk's homes, an increase of 1,066 people over the previous year. A total of 6,943 old people were supported by 257 urban old folk's homes, an increase of 954 people over the previous year. Seventeen urban units had social welfare services, providing for 3,905 people. A total of 1,435 blind, deaf-mute, and disabled people found jobs in urban areas. All fronts did a lot of work to provide rescue for the disaster-stricken people and to support the poor. Proper arrangements were made for disaster-stricken people's production and livelihood.

10. Population

According to a sample survey of population changes, the province's birth rate reached 18.73 per thousand, the mortality rate was 5.68 per thousand, and the natural population growth rate was 13.05 per thousand. The sample survey indicated that by the end of 1986, the province had 23.205 million people, an increase of 225,000 over the corresponding period of the previous year.

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PROVINCIAL AFFAIRS

SHAANXI GOVERNOR URGES STEPPING UP PRODUCTION, ECONOMY DRIVE

HK190221 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 18 Apr 87

[Excerpts] The provincial government held a telephone conference on the evening of 18 April to call on all localities to strengthen leadership, grasp implementation, and spur the deepening of the drive to increase production and practice economy and increase revenue and cut spending.

Governor Zhang Boxing said in a speech: Shaanxi has scored a certain degree of success in launching this drive in the first quarter. The atmosphere of inflation in construction has started to be compressed. Financial revenue has increased, and new achievements have been scored in economic construction.

He continued: This drive is only in the stage of mobilization and launching in our province, and there are still a number of problems. The main ones are: The drive has not developed evenly and deeply enough. Although certain areas and departments have formulated goals and tasks, the measures taken are ineffective, and the drive just proceeds in a general way. Some leading organs are satisfied with holding meetings and setting goals without going deep into reality to grasp implementation, inspection, and supervision. Quite a number of department and units have not yet set specific goals and demands. In addition, certain people who express support for the drive find excuses for setting conditions as soon as specific problems in their own departments and units are touched on; they are unwilling to cut the number of their own projects and spending. As a result, the tasks of the drive cannot be firmed up there.

Zhang Boxing particularly stressed that the following tasks must be grasped in further launching the drive to increase production and practice economy and increase revenue and cut spending:

1. Carry out more propaganda among the masses to enhance their understanding of launching this drive.
2. All prefectures, cities, and counties, and the provincial departments concerned must continue to get a good grasp of agricultural production, vigorously launch a drive to increase agricultural production, centered on grain, do a good job in tending the summer crops such as wheat, and fulfill the spring sowing task on time and up to the mark in quality and quantity.

3. We must insist on centering efforts on improving economic results, highlighting the focal points, and grasping the weak links. The focal points in this drive are to increase production and revenue and to cut spending the greatly reduce material input consumption. The core is to do everything possible to improve economic results. Having grasped this core, we will achieve notable results.

4. We must resolutely compress the atmosphere of inflation and ensure sustained and steady development of economic construction. All prefectures, cities, and departments must adopt effective measures to control the scale of capital construction. They must strengthen control of capital not covered by the plan and strictly enforce the examination and approval procedures for construction projects built with capital raised by units themselves. Investment in such projects must be reduced. We must seriously take stock of projects now under construction and halt or postpone their construction as appropriate. Work must be stopped on projects that were started without permission. We must concentrate forces on completing key construction projects on schedule.

5. Do a good job in handling the relationship between this drive and the reforms. We should promote the drive through deepening the reforms. We should unify the drive with deepening the reforms and invigorating the enterprises. We must focus the reforms on improving the enterprises' operational mechanism. We should seriously institute various kinds of operational contract responsibility systems in accordance with the principle of separating ownership from operating powers, so as to invigorate the enterprises.

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PROVINCIAL AFFAIRS

SHAANXI VICE GOVERNOR ADDRESSES SUPPLY MEETING

HK210531 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 20 Apr 87

[Text] Yesterday, in his speech delivered at a provincial material supply work conference, Vice Governor Zeng Shenda emphasized that laying stress on reform, building bases for producing the means of production, and upgrading quality in a comprehensive way are the three major tasks that material supply departments must properly carry out this year.

Zeng Shenda said: The first task is to reform the circulation system of the means of production. In the past, we took the management form of the product economy in the circulation system of the means of production. In recent years, guidance plans and market regulations have expanded gradually. However, a relatively sound means of production market has not yet been formed. Therefore, at present, we must firmly grasp structural reform of the means of production market. The second task is to gradually build bases for producing the means of production that are in short supply. Shanghai's material supply departments have built a base for the production of aluminium ingots in Tongchuan; Shenyang City's material supply departments have built a base for the production of soda ash in Nanzheng County. This indicates that material supply departments in other areas have done their work in the right way. In a province like ours that lacks such means of production as steel, steel plant, soda ash, and caustic soda every year, it is very necessary for us to build bases for producing the means of production in short supply. The third task is that material supply departments must treat expanding the purchase and sale of materials and upgrading the quality of service in an all-around way, as the main criterion for assessing our work.

Comrade Zeng Shenda stressed that vigorously arranging the supply of materials in short supply to meet the needs in production and construction is an important task for material supply departments in the drive to increase production and practice economy. Material supply departments must further strengthen the function of enterprises in marketing and selling their products; open up markets within the provinces for sale of the means of production for industrial products; and help enterprises promote the sale of various means of production produced by the province so as to stimulate production.

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PROVINCIAL AFFAIRS

SHAANXI REPORTS INDUSTRIAL SUCCESS, SHORTFALLS

HK180243 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 17 Apr 87

[Excerpts] Our station reporter has learned from the Provincial Economics Commission that the development momentum of the province's industrial production in the first quarter was relatively good. However, due to the electricity shortage and other factors, the desired rate of progress was not attained. Total output value was 4.34 billion yuan, 22.3 percent of the year's plan. This was a rise of 8.7 percent over the same period last year.

Production during the first quarter was characterized by being not good enough in January and then staging a rapid recovery.

Railroad freight transport rose after a decline. Electric power output rose by 9.24 percent over the same period last year, but industry still suffered from power shortages over wide areas because of the big increase in power supplied to other provinces. In particular, many accidents occurred in the thermal power system in the first quarter due to poor safety conditions under heavy loads, and this caused very great economic losses to some enterprises engaged in continuous production.

What particularly merits the attention of all sectors is that the province did not do well in its performance in the main economic indicators during the first quarter. Although output value of enterprises covered by the provincial budget increased by 7.14 percent compared with the same period of last year, their profits and their profit delivery to the state respectively declined by 18.73 percent and 24.84 percent compared with the same period last year. The volume of capital tied up in finished goods rose by 11.26 percent. Production costs of comparable products rose by 5.16 percent. The number of enterprises running at a loss increased by 15.81 percent compared with the same period last year, while the total sum in losses increased by 85.25 percent.

The second quarter is the golden season for industry and communications. All prefectures, cities, and departments must strengthen leadership over this work and take effective steps to ensure the fulfillment of half the year's task by the end of June.

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PROVINCIAL AFFAIRS

SHANDONG GOVERNOR SPEAKS ON ECONOMIC TASKS

SK170700 Jinan Shandong Provincial Service in Mandarin 2200 GMT 16 Apr 87

[Text] The provincial government held a meeting of mayors and commissioners on 16 April to inform them of the economic situation in the first quarter of this year, and to work out plans for future economic work. Responsible comrades of the Shengli Oilfield, the Qilu Petrochemical Corporation, the Jinan Railway Bureau, the Shandong Aluminium Plant, and relevant provincial departments attended.

Governor Li Changan delivered a speech. He said: In the first quarter of this year, thanks to the active efforts of the masses of cadres and people, we deepened the campaign to increase production, practice economy, increase revenues and reduce expenditures, and promoted the work in various fields. The overall economic situation of the province is good, with production developing in a sustained and stable manner, markets experiencing brisk sales, economic results improving, and the foreign exchange earned through exports increasing. Judged from the general situation, the campaign has been launched extensively in our province, and as long as we carry it on in a down-to-earth manner, it is possible for us to fulfill the annual national economic plan.

Li Changan said: This year's situation is good, but problems and difficulties are still numerous. Therefore, we should remain clear-headed. In maintaining a sustained and stable national economic development, the key lies in the work during the second quarter of the year.

He stressed the following aspects in carrying out future work: First, we should attach great importance to agricultural production and strive to reap a good harvest by combating drought and preventing floods. Various measures should be adopted to strengthen wheatfield management and make spring sowing a success. While ensuring increased grain production, we should increase the production of cash crops and animal husbandry and develop rural industries to increase the momentum for agriculture.

Second, we should carry out the campaign to increase production, practice economy, increase revenues, and reduce expenditures in a thoroughgoing and conscientious manner, and deepen enterprise reform. The results of the campaign should be reflected in the industrial growth rate, profits and

taxes, turnover of funds, deficits, technological progress and revenues, and efforts should be exerted to make the campaign beneficial to increasing growth rate, economic results and momentum. The focus of the endeavor to deepen enterprise reform lies in invigorating large- and medium-sized enterprises. In the next step, we should pay particular attention to the management contract responsibility system of large- and medium-sized enterprises so as to arouse the enthusiasm of producers and managers, and increase the enterprises' ability for accumulating funds for transformation and development.

Third, we should greatly reduce administrative spending and strive to achieve a balance between revenues and expenditures. In order to make financial work a success, governments and various departments should pay close attention to the work, carry it out strictly, use money according to budget every month, analyze their income and spending, achieve a balance between them, and see to it that money is spent after the income is ensured and that unnecessary spending is checked resolutely. We should further strengthen financial management, strictly enforce financial and economic discipline, and continue the financial and tax inspections successfully.

Fourth, we should resolutely implement the principle of ensuring key, planned and productive projects and reducing ordinary, unplanned and nonproductive ones. All cities, prefectures, and departments should unfailingly reduce unplanned projects and concentrate financial and material resources on the key construction projects designated by the state so as to increase the strength for the national economic development.

Fifth, we should seize opportunities to expand exports to earn more foreign exchange. All cities, prefectures, and departments should work in close coordination to organize the production of goods for export, shorten the time of delivery, and strive to export more commodities in the first half of this year. Qingdao, Yantai, Weifang, Zibo and Jinan cities should do a better job in cooperation and assistance with one another. In particular, the open cities of Qingdao and Yantai should further do a good job in the production of export goods and make new contributions to earning foreign exchange through exports.

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PROVINCIAL AFFAIRS

SHANDONG COMMUNIQUE ON 1986 ECONOMIC DEVELOPMENT

SK212310 Jinan DAZHONG RIBAO in Chinese 31 Mar 87 p 2

[Communique on statistics for 1986 Shandong Province's national economic and social development issued by the Shandong Provincial Statistical Bureau--date of communique not given]

[Text] Year 1986 was the first year in implementing the Seventh 5-year Plan as well as the key year to rejuvenate the national economy. Under the leadership of the party Central Committee, the State Council, the provincial party committee, and the provincial government, all people of the province enthusiastically implemented the principle of reform, opening to the outside world, and invigorating the domestic economy, and continued to carry out economic restructuring. As a result, the national economy was developed in a sustained, steady, and coordinated manner. According to preliminary statistics, the total social product in 1986 came to 121.7 billion yuan, an increase of 211.3 percent over the previous year. (Footnote 1: Total social product is the sum of agriculture, industry, construction, transport, posts, telecommunication, and commerce, including supply and marketing of materials and goods and catering. National income is the sum of the net output value of the above-mentioned five sectors. Of this, the total industrial and agricultural output value reached 99.79 billion yuan, an increase of 11.4 percent. National income was 49.5 billion yuan, an increase of 7.6 percent. Based on the development of production, markets flourished and the urban and rural people's livelihood further improved. Society was stable. New progress was made in science and technology, culture, education, public health, and sports. According to preliminary estimates, the gross domestic product was 58.8 billion yuan, an increase of 8.6 percent.) (Footnote 2: Gross domestic product refers to the increased value of both the "productive" and "nonproductive" sectors.) (Footnote 3: The total social product, national income, and gross domestic product listed in this communique are calculated in terms of 1980 constant prices.) Major problems in our province's economic development were: the quality, colors, and designs of some industrial products failed to suit the demands of markets. The scale of investment in fixed assets were excessively large. The consumption funds increased rapidly. Enterprises' economic results were not ideal.

1. Agriculture

The province's rural economy continued to develop in 1986, thanks to the vast rural area continuing to implement the party's rural economic policies, readjusting the rural production structure, and successfully overcoming the difficulties created by the serious drought disasters.

The total agricultural output value reached 27.74 billion yuan (calculated in terms of new standards), an increase of 0.3 percent over the previous year. Of this, the value of cropping production was reduced by 1.7 percent and the proportion of forestry, animal husbandry, fishery, and other sideline production rose by 26.2 percent.

The cropping structure was changed. Through strengthening the leadership over grain production, the proportion of the grain-growing areas increased from 73.5 percent in 1985 to 76.5 percent, in 1986, and the proportion of cash crops was reduced from 22.4 percent in 1985 to 18.9 percent. The output of cotton and peanuts was reduced due to the reduction of cotton- and peanut-growing areas and the serious drought disasters.

The output of major agricultural and sideline products was as follows:

	1986	% increase over 1985
Grain	32.5 million tons (32.5 billion kg)	3.6
Of this: wheat	15.624 million tons (15.62 billion kg)	4.4
Cotton	941,000 tons (18.82 million dan)	-11.5
Oil-bearing crops	2.076 million tons (41.52 million dan)	-22.0
Of this: peanuts	2.047 million tons (40.94 million dan)	-21.9
Cured tobacco	15,000 tons (3.1 million dan)	-45.8
Silkworm cocoons	13,000 tons (260,000 dan)	9.1
Fruit	1.981 tons (1.98 billion kg)	-6.9

New progress was made in forestry production thanks to continuing to implement forestry policies. In 1986 3.353 million mu were afforested, an increase of 32.0 percent over 1985. The output of major forestry byproducts increased over 1985.

Along with the implementation of the policy of opening to the outside world to enliven domestic economy, new progress was made in animal husbandry and fishery.

The output of major animal byproducts and the head of livestock were as follows:

	1986	% increase over 1985
Meat	1.418 million tons	10.2
Milk	50,000 tons	16.1
Sheep's wool	10,000 tons	28.3
Pork pigs slaughtered	16.812 million head	13.4

	1986	% increase over 1985
Large animals at yearend	4.810 million head	8.6
Pigs at yearend	16.689 million head	-7.9
Sheep at yearend	9.853 million head	25.8
Aquatic products	914,000 tons	12.3
Of this: seawater products	806,000 tons	10.5

Agricultural technology and equipment were improved in 1986. At yearend, the province's total power capacity of farm machines reached 25.38 million kw, an increase of 10.3 percent over the previous year. The number of large and medium-sized tractors reached 136,000, up 1.4 percent. The number of heavy trucks for farm use came to 40,000, up 17.4 percent. Farming acreage sown, plowed, and harvested with machines increased 3.7 percent over the previous year. A total of 1.889 million tons of chemical fertilizer (net weight) were applied during the year, an increase of 1.7 percent. Power consumption in the rural areas reached 5.13 billion kwh, up 20.8 percent over the previous year.

In 1986, along with the unceasing deepening of rural reform, comprehensive development was achieved in the rural economy. The province's total product of the rural society was estimated at 68.08 billion yuan (Footnote 4: The total product of rural society is calculated in terms of the current price and comprises the total agricultural output value and the gross output value of the rural collective and private industrial, building, and transport business suits as well as the commercial units.), an increase of 18.2 percent over the previous year. Of this, the total output value of the rural industry, building industry, transport industry and commerce increased 34.8 percent, and the proportion of these industries rose from 41.8 percent to 47.7 percent.

Forecasts of bad weather by the meteorological departments were fairly accurate and prompt. These weather service contributed to increasing social and economic benefits.

The main problems of agricultural production were mainly caused by the out-dated farmland water conservancy facilities and poor capacity to assist natural disasters. Some agriculture-oriented materials could not meet the demands of agricultural production. The momentum for agricultural production should be further raised.

2. Industry

Along with the deep development of the economic structural reform, the vitality of enterprises was further intensified in 1986. Lateral economic cooperation was further developed and the entire industrial production entered a coordinated, steady, and normal path of development. Particularly after the implementation of the stipulations of the provincial party committee and government on developing township enterprises, we witnessed a marked increase in rural industry. The total industrial output value during the year reached 72.05 billion yuan, up 16.4 percent over the previous year, or 106 percent of the annual plan. If the output value from industrial units at or below the village level was excluded, the increase was 9.5 percent. Of the total industrial output value,

those from the state-owned industrial units increased 7.6 percent, that from township-run industrial units, increased 37 percent, and that from industrial units at and below the village level increased 63.8 percent.

Light and heavy industries coordinately developed. The output value of light industry during the year came to 44.95 billion yuan, up 19.9 percent over the previous year; and that of heavy industry, 27.1 billion yuan, up 11.1 percent. The light industrial departments actively developed the production of marketable durable consumer goods and brand-name products, which played an important role in stabilizing markets. The heavy industrial departments continued to readjust product mix and to expand services. The production of major energy products as well as raw and finished products increased rapidly.

Of the 100 major industrial products, the output of 74, including raw coal, power output, steel, rolled steel, pig iron, nonferrous metals, chemical fertilizer, television sets, cotton yarn, cotton cloth, and watches, fulfilled or overfulfilled their plans; and 26 products such as motor vehicles, large and medium-sized tractors, and refrigerators, failed to fulfill their plans.

The output of major industrial products was as follows:

	1986	% increase over 1986
Cotton yarn	387,000 tons	22.3
Cloth	1.47 billion meters	17.5
Woolen piece goods	14.38 million meters	15.2
Machine made paper & paper board	650,000	15.
Alcoholic beverages	895,000	12.4
Cigarettes	2.342 million cartons	5.8
Bicycles	2.096 million	06.2
Sewing machines	497,000	2.2
Wrist watches	3.892 million	10.8
Television sets	352,000	-15.5
Of which: color TV sets	92,000	39.9
Cassette recorders	336,000	-2.4
Recorders	282,000	31.3
Cameras	65,000	140.0
Household washing machines	327,000	-10.0
Household refrigerators	54,000	220.0
Raw coal	50.998 million tons	3.6
Crude oil	29.508 million tons	9.2
Electricity	30 billion kwh	14.5
Steel	1.414 million tons	13.1
Finished steel products	1.109 million tons	13.0
Cement	13.459 million tons	20.0
Sulphuric acid	368,000 tons	34.3
Soda ash	293,000 tons	9.0

	1986	% increase over 1985
Fertilizer for agricultural use (100 percent)	999,000 tons	3.0
Power generating units (more than 500 kw)	296,000 kilowatts	15.4
Machine tools	12,000	2.7
Motor vehicles	11,000	-32.6
Large and medium-sized tractors	3,823	-47.2
Small tractors	116,000	1.0
Alternating current electric motors	2.364 million kilowatts	25.9

Industrial enterprises expedited their technical transformation, and light industrial and textile departments succeeded in making a great amount of goods of new patterns and varieties. The steady improvement rate of the quality of 102 kinds of products reached 71.6 percent. In our province 17 products won the state gold and silver medals, and 411 products won the provincial good-quality awards. The per-capita productivity of the state-owned industrial enterprises which exercised the independent accounting system showed a 3.6-percent increase over the previous year; the profits and taxes of budgetary local state-owned industrial enterprises totaled 3.47 billion yuan, a 3.5-percent increase; and their income from sales of products showed a 14.7 percent increase. However, the industrial product mix still could not meet market demands. Some industrial enterprises were poorly managed, lacked the ability to dispose of their goods, achieved poor economic results, and their year-end amount of funds they retained because of the goods in stock was 26 percent more than the previous year. The turnover period of funds products rose by 6.4 percent as compared with the previous year, and the number of loss-making enterprises and the amount deficits also increased.

3. Transportation, Post and Telecommunications

In the course of readjustment and reform, transport departments strived to tap potentials to increase their capacity, achieving increases in both passenger and freight transportation volumes. The volumes of passengers and cargo handled by various means of transportations in 1986 were as follows:

	1986	% increase over 1985
Volume of cargo	57.6 billion ton/km	18.9
Railway	44.62 billion ton/km	19.5
Highway	10.87 billion ton/km	33.6
Waterway	21.1 billion ton/km	-28.6
Volume of passengers	22.69 billion person/km	11.5
Railway	13.9 billion person/km	11.8
Highway	8.77 billion person/km	1.0
Waterway	20 million person/km	2.7

In 1986, thanks to state measures to take the pressure off trains and make more use of highway transport, the highway and waterway transportation volumes showed substantial increases over the previous year.

New development was also achieved in posts and telecommunications. Business transactions throughout the province totaled 180 million yuan, a 9.6-percent increase over the previous year, of which the volume of paid post and telecommunication services totaled 170 million yuan, a 9.7-percent increase. The number of letters handled grew by 8.3 percent, newspapers and magazines distributed declined by 13.6 percent, the number of telegraphs rose by 6.3 percent, and long-distance telephone calls increased by 10.5 percent. The year-end number of telephone subscribers totaled 134,000, 10.7 percent more than the previous year.

The economic results of transport departments were improved. Income from railway transport showed a 15.5-percent increase over the previous year, the average daily productivity of each locomotive showed a 1.4-percent increase, and the labor productivity of railway workers showed a 10.3-percent increase. The profits of local waterway transport enterprises grew by 10.5 percent over the previous year. The labor productivity of postal and telecommunications enterprises went up by 1.8 percent from the previous year. In 1986, the pressure on transport, post and telecommunications was relieved, but they still could not meet the needs of the national economic development.

4. Investment in Fixed Assets

In 1986 the province succeeded in controlling the excessive growth of investment in fixed assets. The province's urban and rural investment in fixed assets came to 22.32 billion yuan, up 2.98 billion yuan, or 15.4 percent over the previous year, which was lower than the growth of 38 percent the previous year. Of this, investment in fixed assets of state-owned units reached 12.2 billion yuan, up 21.4 percent; that of collective units in the urban and rural areas reached 4.38 billion yuan; and that of the private units in the urban and rural areas reached 5.74 billion yuan.

Of the investment in fixed assets of the state-owned units, the investment in capital construction came to 6.21 billion yuan, up 27.7 percent. Judging from the utilization of investment, the investment in productive projects increased 32.5 percent and that in nonproductive projects increased 16.9 percent. Viewed from the structure of investment, the investment in energy industry increased 51.1 percent; that in agriculture, forestry, animal husbandry, fisheries and water conservancy increased 22.4 percent; and that in cultural, educational and public health projects increased 33.3 percent. The number of new capital construction projects of the state-owned units dropped by 25.3 percent from the previous year and 3.64 billion yuan worth of fixed assets were added. A total of 7.326 million square meters of housing were completed, of which 3.604 square meters were residential housing, an increase of .31 percent over the previous year.

We continued to strengthen the construction of key projects. We fulfilled 99.6 percent of the annual investment plan for the construction of 10 state key projects. The province's investment in 45 large and medium-sized projects reached 3.51 billion yuan, which was 98 percent of the annual investment plan. Some major large and medium-sized construction projects which were completed and commissioned included the Baodian vertical shaft of the Yanzhou mining area, with an annual production capacity of 3 million tons, and the first-phase power generation project of the Zouxian County power plant, with a capacity of 300,000 kw.

In 1986, the newly added production capacity from the fixed assets invested by the state-owned units consisted mainly of facilities for producing 3.39 million tons of coal, 6 million tons of crude oil, power generating capacity of 351,000 kw, and 1.26 million tons of cement; for expanding the port capacity by 200,000 tons annually; for producing 32,000 tons of cement; and for building classrooms to accommodate 99,000 college, primary and middle school students.

New progress was made in enterprise technological transformation. The state-owned units invested a total of 2.64 billion yuan in updating and upgrading their facilities, up 24.5 percent over the previous year. The proportion of this investment to the investment in fixed assets of the state-owned units rose from 21.1 percent in the previous year to 21.7 percent. Of this, 24.4 percent was used for increasing the product varieties and raising product quality; 5.3 percent was used for saving energy and developing raw materials, and 40 percent was used for increasing production. During the year 1,791 innovation and transformation projects were completed and commissioned and added 1.98 billion yuan worth of fixed assets, which played an active role in promoting technological progress among enterprises.

A certain success was made in reforming the management structure of the building industry and capital construction. About 96.2 percent of the building and construction enterprises throughout the province implemented various forms of the contract responsibility system. The total output value of the building industry in 1986 increased 11.2 percent over the previous year and per-capita productivity increased 16 percent over the previous year.

The scope of capital construction was still great, and the investment in this field rose 27.7 percent on the basis of the 44.9 percent increase in 1985, which was greater than the growth of national income and financial revenues. This resulted in a shortage of funds and materials, low investment returns, and a decline in the rate of availability of these assets and in the rate of investment in construction projects from the previous year.

5. Domestic Commerce

In 1986, the urban and rural markets continued to thrive. The total retail sales of commodities during the year came to 32.03 billion yuan, up 14.1 percent. If the rise of 9.5 percent in prices is factored in, the total retail sales of consumer goods were valued at 26.16 billion yuan, up 15.2 percent; and the retail sales of agricultural means of production were valued at 5.87

billion yuan, up 9.1 percent. The retail sales of all kinds of consumer goods also increased over the previous year. The retail sales of foodstuffs increased 10.8 percent, and that of clothing, 2.8 percent, that of daily necessities, 30 percent. The retail sales of quality and high-grade durable consumer goods also markedly increased.

The retail sales volume of major commodities was as follows:

	1986	% increase over 1985
Grain (trade grain)	4.657 million tons	-23.7
Edible vegetable oil	262,000 tons	14.6
Pork	376,000 tons	23.7
Fresh eggs	69,176 tons	3.8
Aquatic products	181,000 tons	18.7
Sugar	375,000 tons	17.7
Cotton clothing	434.65 million meters	3.0
Cotton and chemical blending fabric	145.54 million meters	-18.5
Television sets	819,000	6.6
Of this: Color TV sets	227,000	56.4
Tape recorders	492,000	28.4
Washing machines	265,000	13.6
Refrigerators	51,000	9.8
Electric fans	1.232 million	30.8

Structural reform of commerce was deeply carried out and circulation channels were continuously expanded. The retail sales volume of commercial enterprises of various economic sectors and that of trade fairs increased over the previous year. Of the total retail sales volume of society, the retail sales volume of state-owned enterprises increased by 15.2, that of collective enterprises increased by 10.8 percent, that of cooperative economy increased by 1.6 times, that of individual sector of the economy increased by 14.7 percent, and that of products sold to nonagricultural residents by peasants increased by 37.8 percent. By the end of 1986, 1,195 small state commercial enterprises were delegated to collectives on the basis of state ownership; and 24 small state commercial enterprises were leased to individuals. Commercial associations reached 349. The transaction volume of urban and rural trade fairs reached 5.9 billion yuan, an increase of 34.4 percent over the previous year.

There was a drop in the economic results of state-owned commerce and of supply and marketing cooperatives due to price and cost rises in the circulation field. Expenses for every 100-yuan sale of commodities rose 9.1 percent over the previous year and profits dropped by 12.1 percent. The supply of some famous-brand, quality, and readily marketable commodities fell short of demand. Thus, the realization of consumers' purchasing power was affected.

The trend of rises in market prices was alleviated. The proportion of farm and sideline products purchased at negotiated prices was expanded. The

differences of prices of some industrial products in different regions, seasons, and qualities were widened. In 1986, the province strengthened supervision and inspection of goods prices and took measures for setting price ceilings on the commodities whose prices were decontrolled. The purchasing price index of farm and sideline products rose 2.7 percent over the previous year. The retail price index of commodities was reduced from 7.1 percent in 1985 to 4.2 percent. Of this, the retail price index in urban areas rose 4.9 percent and that in rural areas rose 3.8 percent. The prices of foodstuffs rose 5.7 percent. Of this, the prices of meat, poultry, and eggs rose 6.7 percent; those of aquatic products rose 6.5 percent; and those of fresh vegetables rose 6.6 percent. The cost of clothes rose 1.3 percent. Of this, the cost of woolen goods rose 5.1 percent. The prices of articles of everyday use rose 5.8 percent, those of books, papers, and magazines rose 13.2 percent. The prices of fuel rose 5.1 percent. The cost of living index for workers and staff rose 5 percent with service costs rising 5.8 percent. The phenomenon of price increases in a disguised form, selling products of poor quality as good, and giving insufficient quantity was widespread in some areas.

6. Foreign Economic Relations and Tourism

New progress was made in foreign trade and technological exchanges. The total volume of commodities purchased for export reached 6.6 billion yuan, an increase of 35.3 percent. The total export volume reached \$2.14 billion. Except for exported petroleum, the volume of various products exported reached \$1.63 billion. If calculated in terms of comparable prices, the export volume increased by 22 percent over the previous year. The total import volume was \$530 million, an increase of 14.7 percent.

More foreign capital was used and more imported technologies were applied. In 1986, the province used \$117 million of foreign funds, an increase of 84.2 percent over the previous year. Of this, direct foreign investment reached \$19 million, a 2.5-fold increase over 1985.

The tourist industry further developed in 1986. The province received 92,000 people who were from more than 100 countries and regions to attend the province's tourist, visiting, and exchange activities, an increase of 20 percent over the previous year.

7. Science, Education and Culture

Reforms of the scientific, technological, and educational systems invigorated our province's science, technology, and education. In 1986 the contingents of scientific and technical workers expanded continuously. The yearend number of specialized and technical personnel of local state-owned units was 647,000, 1.8 percent more than the previous year. Of them, natural science personnel totaled 334,000, up 1.5 percent from the previous year, and social science personnel totaled 312,000, up 2 percent. In 1986, the province achieved 1,337 significant scientific and technological results, 141 more than the previous year. Of them, 196 were major ones, 75 reached or approached advanced world levels, and 121 were new in the country. The "spark plan" played an important role in developing our province's economy and facilitating technological progress. Arrangements were made for 336 projects, which included mainly

technology for cultivation and increase of fresh-water and marine products, technology for intensive processing of farm and sideline products, and new light industrial and textile goods and technology.

Education progressed steadily in the course of reform. In 1986, the number of new postgraduate students was 873, the total number of postgraduate students at school was 2,280, and the number of those graduated was 307. Ordinary schools of higher learning enrolled 30,000 students for their regular and special courses, 3,000 fewer than the previous year; the total number of students in these schools was 92,000, an increase of 9,000; and the number of students graduated was 21,000, an increase of 5,000. In secondary education, the province further readjusted the structure of ordinary education and vocational education, enabling secondary vocational and technical education to develop fairly rapidly. In 1986 the number of students in secondary specialized schools, ordinary middle schools, agricultural middle schools, vocational middle schools, and skilled worker schools reached 4.106 million, 218,000 more than the previous year. Of the total, those in secondary specialized schools, agricultural and vocational senior middle schools, and skilled worker schools totaled 315,000, amounting to 38.4 percent of the total number of students in the schools equivalent to senior middle school level.

Compulsory education was popularized throughout the province in the initial stage. In 1986, the number of students in junior middle schools totaled 3.258, 178,000 more than the previous year. The number of primary school students was 8.704 million, and the school entrance rate of school-age children rose from 97.4 percent in the previous year to 97.9 percent. Children at kindergartens totaled 1.844 million, an increase of 265,000.

Adult education at various levels continued to develop. Students in regular and specialized universities and colleges for adults numbered 119,000, an increase of 33,000; those in secondary specialized schools for adults totaled 161,000, an increase of 38,000; and those at agricultural, vocational and technical schools for adults reached 200,000.

Cultural, press, publishing, and radio and television departments played an important role in building the socialist spiritual civilization. In 1986, the province had 13,371 film projection units of various categories, 151 art performing groups, 144 cultural centers, 14 art centers, 102 public libraries, 30 museums, 158 archives (including comprehensive and specialized archives), 10 radio stations, 25 radio transmission and relay stations, with the radio coverage reaching 84 percent, 14 television stations, and 212 television transmission and relay stations, with the television coverage reaching 73 percent. In 1986, 825.72 billion copies of newspapers were published, a drop of 7.4 percent from the previous year. The literary and art circles created a number of good works, and were praised by the masses.

8. Public Health and Sports

In public health, we scored new achievements in intensifying the prevention and treatment of diseases, and in improving the conditions for medical care.

By the end of 1986, the province had 139,000 hospital sickbeds, a 4-percent increase over the previous year, and 213,000 professional health workers, a 3.9-percent increase. Of them, 83,000 were doctors, a 3.5-percent increase; 42,000 were senior nurses and nurses, a 5.5-percent increase. However, the problem of lacking doctors and medicine, and the difficulty in seeking medical care in rural areas had yet to be solved.

Physical culture and sports undertakings vigorously developed. In 1986, 2 of our provincial athletes broke 2 world records on 4 occasions; 18 athletes broke 18 national records on 28 occasions; and 66 athletes and 14 teams broke 88 provincial records on 125 occasions. We won six gold medals and four silver medals at the 10th Asian Games and sponsored the first national kite invitation competition. Our province held a total of 2,929 sports meets at and above the county level and about 2,983 persons attained the requirements prescribed by the "state standards for physical culture and sports training." We newly constructed 357 stadiums.

New progress was made in environmental protection. During the past year we scored certain success in pollution disposal and environment management, and played an important role in protecting ecological balance.

9. People's Livelihood

The livelihood of the urban and rural people improved to a further extent. Based on a sample survey of family incomes of the urban residents, the average per-capita income for living expenses of the urban residents in 1986 was 807.4 yuan as against the 702.1 yuan in 1985, an increase of 15 percent. If the rise in the cost of living of the workers was excluded, the actual increase was 9.5 percent. At year end, every 100 worker families had 98 electric fans, up 22.8 percent; 54 cassette recorders, up 25.6 percent; 10 cameras, up 25 percent; 27 color television sets, up 80 percent; and 10 refrigerators, up 230 percent. Based on a sample survey among peasant families, the average per-capita net income of peasants in 1986 reached 449.3 yuan, up 10.1 percent over the previous year. If the rise in the prices was factored in, the actual increase was 8.1 percent. Of the net incomes of peasants, the average per-capita income from productive businesses (including agriculture, industry, building and transport industries, and commerce) was 409.8 yuan, an increase of 10.6 percent; and that from nonproductive businesses (including cash remitted by family members working away from home, wage income, money sent by friends and relatives) was 39.5 yuan, up 5 percent. The proportion of impoverished households with an average per-capita income below 200 yuan dropped from 8.1 percent in last year to 5.8 percent, that of households with an average per-capita net income ranging from 200 to 500 yuan dropped from 65.3 percent in last year to 59.2 percent; that of households with an average per-capita income ranging from 500 to 1,000 yuan rose from 24.9 percent to 32.2 percent; and that of households with an average per-capita income above 1,000 yuan rose from 1.8 percent to 2.8 percent.

Along with the deepening of the reform of the labor system, the number of employees continued to increase. In 1986, the province as a whole created jobs for 266,000 persons, an increase of 50,000 over the previous year. By the year end, the total number of workers and staffers in the province reached 6.496 million persons, an increase of 299,000 over the figures at the end of the previous year. Among them, 400,000 workers were employed under the labor contracts by the state-owned units, an increase of 159,000 persons. The cities and towns had a total of 116,000 self-employed workers, an increase of 19,000 over the previous year. In 1986, the total amount of wages of workers and staffers throughout the province reached 8.26 billion yuan (including price subsidies for meat and all kinds of bonuses and subsidies), an increase of 23.6 percent. The average cash wage for workers was 1,313 yuan, an increase of 18.3 percent over the previous year. If the rise in the cost of living of workers was factored in, the actual wage increase was 12.7 percent, still surpassing the growth of labor productivity.

The savings deposits of the urban and rural people continued to increase in 1986. By year end the total amount of savings deposits of the urban and rural residents reached 17.56 billion yuan, an increase of 4.5 billion yuan, or 34.9 percent over the previous year.

Social welfare undertakings continued to develop. In 1986 the province as a whole had 4,364 social welfare institutes, housing 41,000 persons. Of this, 23 were social welfare institutes, child-care welfare institutes, and institutes for mental patients, providing for 2,348 persons. The rural areas had 3,051 collectively run homes for the aged, an increase of 1.966 homes over the previous year, providing for 22,700 old people, an increase of 43.7 percent over the previous year.

10. Population

Calculated according to a sample survey on the population changes among 71,000 persons from 17,811 households in 40 counties and cities (districts), by 1986 yearend, the province's total population was 78.18 million, an increase of 1.07 million over the previous year. The population birth rate was 19.9 per thousand, the death rate was 7.28 per thousand, and the natural population growth rate was 12.62 per thousand.

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PROVINCIAL AFFAIRS

LEASING OF ENTERPRISES FLOURISHES IN SHANGHAI

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[Text] Shanghai, 13 April (XINHUA)--Leasing of small- and medium-sized enterprises is flourishing in Shanghai as part of the on-going urban reform in China's largest industrial center, according to an official from the municipal government.

Tan Qiusheng, an official of the Shanghai Municipal Office for Urban Reform, said most of the 102 state-owned and 426 collectively-owned enterprises leased out in Shanghai have shown satisfactory results and more will be rented to collectives and individuals this year.

In the first three days of operation on the city's leasing market, he said, 290 individuals vied for 66 unprofitable enterprises.

One example cited by Tan was the Xingyi Arts and Crafts Mounting Factory, which has netted 70,000 yuan (about 18,000 U.S. dollars) in the last four months.

The factory was closed late last year as it showed a large deficit due to poor management. Wu Zhihong, a business management teacher from Shanghai's TV University, volunteered to run the factory. It cost Wu 6,000 yuan to take the factory on lease. To help him raise the money Wu's students withdrew deposits from their bank accounts.

The contract also allowed Wu to directly manage the factory. Wu has been given full decisionmaking powers over production, employment and the sale of products. In return, Wu must ensure the workers' welfare and pay rent in the second and third year of operations.

"Such leasing is a way of separating ownership of the enterprise from its management," commented Ma Hong, a noted Chinese economist and secretary general of the Study Center for Economic and Technology Development attached to the State Council.

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PROVINCIAL AFFAIRS

SICHUAN: 1986 ECONOMIC, SOCIAL DEVELOPMENT STATISTICS

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[Report: "Provincial Statistics Bureau Communique on Sichuan's 1986 Economic and Social Development; dated 26 Feb 87"]

[Text] The year 1986 was the first year of the Seventh 5-year Plan. Under the leadership of the Sichuan Provincial CPC Committee, and the provincial people's government, people of various nationalities throughout the province conscientiously implemented the guiding principle of "reform, opening up to the outside world, and enlivening the domestic economy," strengthened measures to improve macroeconomic control, successfully combated fairly severe natural disasters, overcame a strain on the supply of energy, etc. So that industrial and agricultural production steadily developed, the scope of capital construction was under control, financial incomes increased, urban and rural markets became active, people's livelihoods continued to be improved, and the whole province's economy developed continuously. The total social output value base on prices of the same year was 115.8 billion yuan an increase of 8.4 percent over 1985. (Footnote 1) (Total social output value represents the total gross output value of agriculture, industry, construction industry, transportation, communications and telecommunications, and commerce which included goods and materials supplied and the food and beverages trade. National income refers to the net output value of the departments in charge of the production of the above-mentioned agriculture, industry, building industry, communications, post and telecommunications, and commerce.) National income was 53.7 billion yuan, and the gross domestic product was 65.5 billion yuan, an increase of 7.1 and 7.9 percent, respectively. (Footnote 2) (Gross domestic product refers to the final use value of products and labor services provided for society by productive and nonproductive departments, which does not include the value of partially used products and labor services. The industrial and agricultural gross output value was 82.17 billion yuan (calculated in accordance with constant prices; the same calculation method was applied to industrial gross output value, and agricultural output value below), and an increase of 8.2 percent over 1985, and 7.2 percent higher than the target set in the plan. Investments made by units under ownership by the whole people in capital construction was 5.465 billion yuan, and the total retail sales volume of social commodities was 31.52 billion yuan, an increase of 7.1 percent and 14.9 percent over 1985 respectively. In the

building of the socialist spiritual civilization we strengthened ideological and political work and further developed sciences, education and cultural undertakings. We also achieved results in popularizing education in the legal system. The whole province was stable and united and the general mood of society continued to improve. New achievements were made in the building of socialist spiritual civilization.

However, there were some difficulties and problems in the development of our provincial economy. The main problems are that we did not considerably improve energy which had a direct bearing on economic development; there was a strain on the electrical power supply; basic conditions for agricultural production were not yet greatly changed; the capital construction structure was not rational enough; economic results were not favorable enough; financial expenses were too great, and the population grew too fast. All these problems should be gradually and conscientiously solved.

I. Agriculture

In 1986, party committees and governments at all levels in our province strengthened their leadership over rural work. The vast rural area conscientiously implemented Document No (1986) issued by the central authorities. They deepened their understanding of the fact that agriculture was the foundation of the national economy, aroused peasants' enthusiasm for production, and encouraged various trades and services to support agriculture. They also increased their investments in agriculture and did a better job in popularizing improved varieties of crops than last year. Although we suffered from fairly serious natural disasters our grain production still increased, and a diversified economy continued to develop. The output value of town and township enterprises increased by a large margin and peasants' incomes also increased.

The rural production basis was further readjusted. Total social output value in rural areas throughout the province was 52.15 billion yuan, an increase of 14 percent over 1985. (Footnote 3) (Total social output value in rural areas includes the gross output value of agriculture, industry, construction, transportation and commerce run by the collective and individuals in rural areas.) Agricultural gross output value was 27.9 billion yuan, an increase of 4.9 percent over 1985, and 4.0 percent higher than the target set in the plan. The percentage of the output value of forestry, animal husbandry, sideline production and fishery increased from 36.9 percent in 1985 to 38.4 percent in 1986. Industrial output value, including industry run at and below village level, was 33.605 billion yuan (39.51 billion yuan if calculated with the prices for the indicated year), an increase of 10 percent over 1985. Of the rural total social output value, the proportion of the output value of rural industry, rural construction industry, rural transportation and communications, and food and beverage industry increased from 30.8 percent in 1985 to 35.2 percent in 1986.

The production of grain, edible oil, tea and fruit also increased. Total annual grain output was 39.216 million tons, an increase of 2.4 percent over 1985. The production output of rapeseed was another record high. The production

output of cotton, peanuts, sugarcane, flue-cured tobacco, silkworm cocoon, etc. dropped because of several factors, including the influence of natural disasters, and others. Production output of jute and bluish dogbane dropped because of the restriction imposed on production increases.

Production output of main agricultural products was as follows:

	1986	(+) or (-) % Compared with 1985
Grain	39.216 million tons	2.4
Rice	20.024 million tons	4.0
Wheat	6.543 million tons	4.6
Cotton	98,000 tons	-13.9
Oil crops	1.584 million tons	4.8
Peanuts	270,000 tons	-1.1
Rapeseed	1.304 million tons	6.2
Sugar crops	2.55 million tons	-3.9
Sugarcane	2.531 million tons	-4.2
Jute, blue dogbane	189,000 tons	-35.7
Flue-cured tobacco	57,000 tons	-3.2
Silkworm cocoon	103,000 tons	-3.9
Tea	53,000 tons	0.2
Fruit	884,000 tons	8.2

The afforested area throughout the province (calculation based on 35 percent of the survival rate) was 5.938 million mu. Production output of forest products such as raw lacquer, oil-tea camellia, walnut, etc., was also higher than 1985.

Sustained development was achieved in animal husbandry. The number of pigs for sale was 48.527 million, an increase of 8.6 percent over 1985. The rate of pigs delivered to the slaughter-house increased from 78.8 percent in 1985 to 82 percent in 1986. The number of draught animals exceeded 10 million. The number of domestic fowl and eggs increased, but the number of goats continued to decrease.

Output of main livestock products and the number of inventoried livestock at the end of the year were as follow:

	1986	(+) or (-) % Compared with 1985
Output of pork and mutton	3.159 million tons	11.3
Output of pork	3.085 million tons	11.5
Output of beef	45,000 tons	10.0
Output of mutton	29,000 tons	-6.7
Output of milk	241,000 tons	10.0

	1986	(+) or (-) % Compared with 1985
Output of sheep wool	2,300 tons	-4.0
Number of pigs at the end of year	60.633 million	2.5
Number of sheep at end of year	8.585 million	-2.1
Number of draught animals at end of year	10.109 million	2.4
Number of cows	9.602 million	2.2

Fishery production continued to increase. The output of aquatic products throughout the province was 158,000 tons, an increase of 22.8 percent over 1985.

Town and township enterprises also developed considerably. Town and township enterprises in our province persisted in reform, strengthened their management, and overcame difficulties arising from the shortage of funds, energy, and raw and processed materials. Their production developed very rapidly. Total output value of town and township enterprises throughout the year was 19.63 billion yuan, an increase of 36.3 percent over 1985.

The number of agricultural machinery in the rural area, the amount of chemical fertilizer consumed, and power consumption in the rural area increased. At the end of 1986 the total capacity of agricultural machinery in the rural area throughout the province was 10.14 billion watts, an increase of 10.2 percent over 1985. The number of large and medium-sized tractors was the same as the first half of the year. The number of small-sized and walking tractors was 152,000, an increase of 13.4 percent over 1985. The number of trucks for agricultural use was 31,000, an increase of 19.3 percent over 1985. The total amount of chemical fertilizer consumed for agricultural use during the whole year was 1.59 million tons (net amount), an increase of 18.0 percent over 1985. Power consumption in the rural area was 2.99 billion kilowatts/hours, an increase of 20.2 percent over 1985.

Meteorological observatory departments actively served agricultural production to provide and a more accurate weather forecast.

II. Industry

In 1986, industry throughout the province persisted in reform, continued to implement various kinds of economic responsibility systems and the factory director responsibility system, developed lateral economic links, and adopted forceful measures to overcome the situation of a decline in production early in the year. Under the conditions of an electrical power supply shortage and difficulties in selling some products, light industry continued to grow, and its product mix was readjusted.

We achieved sustained development in industrial production. Gross industrial output value in the whole province was 54.274 billion yuan, an increase of 9.9 percent over 1985, and 9.1 percent higher than the target set in the plan. Industrial output value, which does not include industries run at or below the village level, was 48.565 yuan (54.151 billion yuan if calculated with current prices), an increase of 6.9 percent over 1985. The industrial output value of units under ownership by the whole people was 35.974 billion yuan, an increase of 4.7 percent. The industrial output value of units under collective ownership was 12.297 billion yuan, an increase of 13.6 percent. Of the 86 kinds of industrial products which were examined, the production output of 89.5 percent of them was higher than 1985, and the production output of 65.1 percent of them fulfilled the quota set in the annual plan.

We achieved some results in readjusting the industrial product mix. Of raw and processed materials and energy industrial products, the output of steel, steel products, cement, sulphuric acid, raw coal, generated energy, natural gas, etc., increased. Some marketable products such as color television sets, double-cylinder washing machines, famous wine, etc., increased considerably. Production output of some unsalable products such as automobiles, light motorcycles, single-cylinder washing machines, etc., was under control.

Production of light industry developed more rapidly. The total output value of light industry throughout the province was 22.977 billion yuan, an increase of 8.9 percent over 1985. The food industry increased by 7.9 percent, the textile industry increased by 3.3 percent, and the papermaking industry increased by 15.8 percent. The industrial output value of light industry in the gross industrial output value increased from 46.3 percent in 1985 to 47.1 percent in 1986.

Production Output of Main Light Industrial Products was as follows:

	1986	(+) or (-) % Compared with 1985
Yarn	153,000 tons	6.6
Cloth	820 million meters	3.1
Woolen goods	3.049 million meters	6.1
Silk fabrics	74.063 million meters	7.6
Machine-made paper and paperboards	668,000 tons	4.4
Sugar	194,000 tons	0.5
Wine	874,000 tons	2.0
Liquor	146,000 tons	25.3
Cigarettes	1.359 million boxes	25.4
Raw salt	1.711 million tons	9.8
Chemicals	4,916 tons	26.6
Light motorcycles	322,000	-33.5

	1986	(+) or (-) % Compared with 1985
Bicycles	883,000	24.1
Sewing machines	52,000	21.5
Wrist watches	1.696 million	2.0
Television sets	812,000	7.2
Of which Color TV sets	332,000	34.4
Recorders	337,000	-55.6
Cameras	78,563	55.1
Household washing machines	437,000	-32.9
Electric fans	1.449 million	18.0
Household refrigerators	133,000	4.52

We achieved sustained growth in heavy industry production. The gross industrial output value of heavy industry through the province was 25.588 billion yuan, an increase of 5.2 percent over 1985. The metallurgical industry increased by 7 percent, the engineering industry by 2.6 percent, the building material industry by 8.5 percent, and the chemical industry by 7.1 percent. Production output of primary energy sources (converted into standard coal) was 52.66 million tons, an increase of 3.5 percent over 1985.

Production output of main heavy industrial products was as follows:

	1986	(+) or (-) % Compared with 1985
Raw coal	56.897 million tons	2.4
Natural gas	5.89 billion cubic meters	4.5
Generated energy	23.7 billion kilowatts hours	7.0
Hydraulic electrogeneration	11.2 billion kilowatts hours	2.3
Pig iron	3.652 million tons	14.7
Steel	4.25 million tons	8.2
Steel products (finished)	2.802 million tons	7.8
Wood	4.243 million cubic meters	0.5
Cement	10.892 million tons	6.9
Sulphuric acid	726,000 tons	32.6
Soda ash	153,000 tons	4.0
Caustic soda	167,000 tons	4.2
Chemical fertilizer		
(net amount consumed)	1.422 million tons	5.2
Nitrogenous fertilizer	1.137 million tons	-2.3
Farm chemicals	6,028 tons	16.9
Machine tools	9,028 sets	-10.7
Automobiles	10,292	-24.4
Internal combustion engines (as a commodity)	2.13 billion watts	-25.9

With the progress in technical reform in industrial enterprises the stable increase rate in the quality of main industrial products was maintained at more than 85 percent. More than 1,400 kinds of new products and new varieties of products were developed. Some 191 kinds of products were awarded by the province for excellent quality. All personnel labor productivity of industrial enterprises based on independent accounting was 11,946 yuan, an increase of 12. percent over 1985.

III. Investment in Fixed Assets and the Construction Industry

In 1986, under the guidance of the central authorities' policy of controlling the scale, giving priority to key projects, doing well in reform, and enhancing economic results, our province achieved good results in capital construction.

The investment scale was basically under control and the number of projects under construction was reduced. Investment in capital construction made by units under ownership by the whole people throughout the province was 5.465 billion yuan, an increase of 7.1 percent over 1985. This was much lower than the growth rate of 60.6 percent in 1985. After deducting investment projects not covered by the plan, their actual investment was 4.183 billion yuan, which was 97.1 percent of the target set by the annual plan. Investment covered by the state budget was 2.163 billion yuan, an increase of 18.6 percent over 1985. The number of projects under construction for the whole year was lower than in 1985, [as published] and the number the newly started projects dropped by more than 40 percent.

The investment portfolio was readjusted and more efforts were devoted to key projects. Of the total amount of investment in capital construction, the amount of productive investment was 2.968 billion yuan, an increase of 21.1 percent over 1985. Its proportion in the total amount of investment in capital construction increased from 48 percent in 1985 to 54.3 percent in 1986. The proportion of nonproductive investment dropped accordingly. Investment in the energy industry was 1.178 billion yuan, an increase of 22.9 percent over 1985. Investment in transportation, and post and telecommunications was 599 million yuan, an increase of 17.8 percent over 1985. Investment in cultural and educational undertakings and research projects was 527 million yuan, an increase of 8.9 percent over 1985. Some 13 medium and large-scale projects and single projects covered by the state production plan went into operation in accordance with the requirements concerned.

We developed the productive capacity more, and our investment results were enhanced. Through capital construction we had the following new productive capacity throughout the province: 7 million tons of iron ore extracted 60,000 tons of secondary rolled finished steel, 390,000 tons of coal mined, 507 million cubic meters of natural gas systematically extracted, 390,000 kilowatts generated, 40,000 tons of soda ash, 1.5 million standard boxes of plate glass, 746 kilometers of newly-built highway, 1.465 billion cubic meters of water in reservoirs, and 264,600 student seats for various kinds of schools. The percentage of projects which were completed and went into operation increased from 60.1 percent in 1985 to 61.5 percent in 1986. The utilization rate of fixed assets increased from 67.1 percent to 75.9 percent. The completion rate of houses increased from 50.7 percent to 55.8 percent.

There was a larger increase in investment aimed at renewing and reforming existing enterprises. Investment made by units under ownership by the whole people in this respect was 3.775 billion yuan, an increase of 21.4 percent over 1985. Investments can be subdivided into the following categories according to use: investments aimed at increasing varieties of products went up by 52.2 percent; investments aimed at enhancing product quality and functions increased by 37.8 percent; and investments aimed at energy conservation increased by 45.1 percent. During the whole year 6,366 projects aimed at renewing and reforming existing enterprises were under construction and more than 50 percent were completed and went into operation. They have now played an important role in promoting technical progress.

The structural reform in construction industry management was further deepened. Some 66.4 percent of the enterprises responsible for building construction and installation implemented a wage system based on 100 yuan per output value. Of the 8,709 construction projects in progress in our province, some 37 percent of them were carried out in accordance with various kinds of contract responsibility systems including tender, a contract system based on the number of stories, etc. Total output value of enterprises under ownership by the whole people, which were responsible for construction and installations, was 3.218 billion yuan, an increase of 16.2 percent over 1985. All personnel labor productivity based on total output value was 7,858 yuan, an increase of 11.1 percent over 1985.

IV. Communications, and Posts and Telecommunications

In 1986 communications and transportation departments actively carried out their structural reform and adopted various measures to enhance their transport capability. They played a positive role in promoting commodity circulation, production, and construction in our province.

Passenger transport volume and the volume of goods transported by various modes of transportation generally increased. The rotation volume of goods transported for the whole province was 39.565 billion tons per kilometer, an increase of 7.6 percent over 1985. The rotation volume of goods transported by railway was 28.857 billion tons per kilometer, an increase of 8.8 percent over 1985. The rotation volume of goods transported by highway was 3.611 billion tons per kilometer, an increase of 4.3 percent over 1985. The rotation volume of goods transported by water transport was 7.056 billion tons per kilometer, an increase of 4.8 percent over 1985. The rotation volume of goods transported by air transport was 41 million tons per kilometer, an increase of 46.4 percent. The transportation of important goods and materials was guaranteed.

The rotation volume of passengers transported in the whole province was 30.357 billion persons per kilometer, an increase of 12 percent over 1985. The rotation volume of passengers transported by railway was 11.513 persons per kilometer, an increase of 8.3 percent. The rotation volume of passengers transported by highway was 14.851 persons per kilometer, an increase of 8.4 percent. The rotation volume of passengers transported by water transport was 2.188 billion persons per kilometer, an increase of 15.8 percent. The

rotation volume of passengers transported by air transport was 1.805 billion persons per kilometer, an increase of 100 percent. As far as passenger transport was concerned, thanks to the measures to separate highway transport from railway transport, the proportion of the volume of passengers transported by highway in the total volume of passengers transported increased by 1.2 percent. This, to a certain extent, eased the strain on short-distance railway transport.

Postal and telecommunications departments improved service quality by providing more postal and telecommunications facilities and developing postal communications. The total business volume of post and telecommunications throughout the province was 167 million yuan, an increase of 10.6 percent over 1985. Letter mailing service increased by 8.6 percent, long-distance call service increased by 4.2 percent, but telegram service dropped by 5.8 percent. By the end of the year the number of urban and rural households provided with telephone service continued to increase.

During the structural reform, the transportation and communications departments actively developed 22 lateral transport integrated bodies. Barriers between different areas were lowered down in order to promote communications and enhance the utilization rate of facilities. Better results were achieved in this regard.

V. Commerce, Commodity Prices, and the Supply of Goods and Materials

With the deepening of the reform in the circulation system, development in production and construction, and the improvement of people's living standards, the urban and rural markets in our province were lively and active. In 1986 the total volume of retail sales of commodities in society throughout the province was 31.52 billion yuan, an increase of 14.9 percent over 1985. After deducting the price increase factor, the actual growth rate was 10.6 percent. The total volume of commodities procured by state-operated commercial institutions and supply and marketing cooperatives was 23.17 billion yuan, an increase of 12.0 percent over 1985. The volume of industrial goods procured was 14.13 billion yuan, an increase of 12.4 percent over 1985. The volume of agricultural and sideline products procured was 8.9 billion yuan, an increase of 11.4 percent. Country markets further developed and their volume of transactions was 7.4 billion yuan, an increase of 25.9 percent.

Of the total volume of retail sales in social commodities, the retail sales volume of consumer goods was 27.64 billion yuan, an increase of 14.4 percent. The retail sales volume of food commodities comprehensively increased. The retail sales volume of some clothing commodities increased, whereas some others dropped. Of commodities for daily use, the retail sales volume of durable consumer goods increased by a large margin. The retail sale volume of the agricultural means of production was 3.88 billion yuan, an increase of 18.9 percent. The sales volume of chemical fertilizer and agricultural chemicals increased by 28.3 percent and 21.4 percent respectively.

Various economically-related types of commerce developed in an all-round way and the proportion of their business operations was further readjusted. Of the total volume of retail sales of commodities in society, the retail sales volume of commercial units under ownership by the whole people was 10.7 billion yuan, an increase of 10.2 percent over 1985; the retail sales volume of collective units (including supply and marketing cooperatives) was 12.9 billion yuan, an increase of 8.4 percent; and the retail sales volume of units run by individuals and other kinds of units was 7.92 billion yuan, an increase of 36.3 percent. With regard to the retail market share, the proportion of units under ownership by the whole people, collective units, units run by individuals, and other kinds of units were 34 percent, 40.9 percent and 25.1 percent respectively. Compared with 1985, the proportion of units under ownership by the whole people dropped by 1.4 percent, collective units dropped by 2.5 percent, individuals and other kinds of economic units increased by 3.9 percent.

The total market retail price index was 3.9 percent higher than in 1985. The total retail price index of city and town markets increased by 4.6 percent, and that of the rural market increased by 3.5 percent. Total cost of living index of workers and staff members increased by 4.8 percent. Consumer goods price index for daily life increased by 4.6 percent. Services price index increased by 7.7 percent. The total price index for purchasing agricultural and sideline products increased by 5.6 percent.

The strain on the supply of the main means of production in our province such as steel products, cement, coal, wood, etc., was eased to a certain extent. The sales volume of steel products by units under the metallurgical bureau was 8.3 percent higher than in 1985. The sales volume of cement produced by key cement factories was the same as in 1985. The sales volumes of wood and coal produced by coal mines above the provincial level dropped.

VI. Economic Cooperation, Foreign Trade and Tourism

In 1986 new progress was made in developing lateral economic links and economic cooperation. Contracts were concluded and signed on more than 2,800 cooperation projects involving funds totalling 570 million yuan, and goods valued at about 2.8 billion yuan. Cooperation in commerce, trade, and material supplied also expanded and the volume of business was more than 100 percent higher than in 1985. The number of integrated bodies of enterprises throughout the province increased to more than 1,900 involving some 9,000 enterprises.

The import and export volume of foreign trade increased by a large margin. The total import and export volume of foreign trade throughout the province was \$661 million, an increase of 27 percent over 1986. The export volume was \$489 million, an increase of 39.9 percent. Of the 15 companies specializing in exports, the textile company, livestock products company, local products company, chemical and medical company, hardware company, mechanical equipment company, light industrial company, Changjiang Enterprise Company, and Dongfang Power Equipment Company overfulfilled the plan for the whole year. The total volume of direct purchases by foreign trade units was 1.86 billion yuan, an increase of 68.1 percent.

Fairly rapid development was achieved in making use of foreign capital. Foreign capital in a sum of \$104 million was actually utilized throughout the province, an increase of 170 percent over 1985. Some 46 contracts on labor service were concluded with foreign countries involving \$120 million.

Tourism developed rapidly. The whole province received 153,000 tourists from abroad, an increase of 37.4 percent over 1985. The number of internal tourists visiting scenic spots was also higher than in 1985.

VII. Science, Education and Culture

In 1986, scientific and technical workers made new contributions to economic construction and the building of socialist spiritual civilization. Natural scientific workers throughout the province made important scientific and technical achievements in 969 projects. Some 245 of the province's projects received awards. Of the projects awarded, 42 reached the international level, and 163 projects attained the national advanced level. The achievements of the 130 projects were popularized and marked economic results were obtained with an output value of approximately 1 billion yuan achieved. The "spark plan" played an important role in promoting the development of town and township enterprises, and medium and small enterprises. Some 368 projects covered by the plan were completed with an output value of about 120 million yuan achieved. Some 149 projects carried out by social scientific workers throughout the province were commended by the provincial government.

Institutions of higher learning in our province were run through various experiments in a multichanneled and multileveled way. Efforts continued to be exerted in order to readjust the educational structure speed up the training of talented personnel. In 1986, some 6,371 graduate students studied in universities and colleges, an increase of 1,614 over 1985. Five people received their Ph.D. degrees and 639 people received master's degrees. Some 39,900 students were recruited by general universities and colleges. Some 126,800 students are studying at universities and colleges, and 25,300 graduated. Various kinds of institutions of higher learning for adults recruited some 38,600 students, and the number of their students and graduates was 92,500 and 26,500, respectively. Adult self-study further developed. Some 130,000 people took examinations based on self-study, and some 2,636 people received diplomas from universities and colleges concerned. There were some 127,100 students studying at technical secondary schools, and the number of graduates of these schools was 37,900. Some 521,800 students were studying at the general senior secondary schools and the number of students studying at junior secondary schools was 3.4457 million. Some 70,100 students studied at technical schools and some 146,000 students studied at vocational schools. The number of students studying at technical secondary schools was 61,700. The number of students studying at various kinds of schools was higher than in 1985.

Primary education was basically popularized in 116 counties (cities and districts) throughout the province. The percentage of school-age children

entering schools increased from 94.9 percent in 1985 to 95.3 percent in 1986. The number of students studying at primary schools was 13.5369 million and the number of children taken care of by kindergartens was 1.1623 million.

Cultural undertakings such as literature, art, the press, publishing, broadcasting, television, etc., played an active role in building socialist spiritual civilization. In 1986, our province received 27 groups of foreign cultural and artistic delegations, and sent 16 cultural and artistic delegations (groups) abroad to give performances, or to hold exhibitions. At the national contest of folk music, dancing, and TV songs for young singers, our province won one first prize for a performance, one special prize and one first prize for the art of singing folk songs. During the 6th national contest for outstanding TV plays, 3 plays produced by our province won the "Flying Apsaras Prize." Our TV film "Grasslands Today" won the first prize in the "Road of Long March" TV films contest. New progress was also made in archeology and historical studies. Our success in excavating a large pit located at Sanxingdui in Guanghai County for offering sacrifices to gods has enabled us to trace back the culture of Sichuan more than 1,000 years ago.

Our province produced 9 feature films in all and distributed 178 kinds of new films. We also produced 9 radio plays in 50 serials, and 34 TV plays in 87 serials. Throughout the province, we have 7 broadcasting stations, 11 radio programs, 6 TV stations and 6 TV programs. The transmitted average hours per week increased by 41 hours and 7 minutes. In addition, we have 207 wired broadcast stations. We have amplifying stations in 7,823 towns (townships). There were some 15,500 film projecting units in our province. We have 188 artistic troupes, 213 cultural centers, 123 public libraries, 34 museums, and 250 archives. We printed 1.216 billion copies of local newspapers, an increase of 9.8 percent over 1985. We also printed 62.46 million copies of magazines of all kinds, 15.3 percent less than in 1985. We published 2,438 kinds of books, an increase of 31.9 percent.

VIII. Public Health and Sports

In 1986, a new development was achieved in our medical and public health undertakings. The number of hospital beds in hospitals throughout the province was 191,500, 4,000 more than in 1985. The number of medical technical personnel was 288,200, an increase of 4,300 over 1985. The number of doctors was 124,900. We have 46,800 male nurses and nurses. We had 12 doctors per 10,000 persons.

Marked achievements were made in sports. Athletes from our province won 5 world championships, broke 3 Asian records, 10 national records, and 49 provincial records, and set 1 national record. In international competitions we won 77 medals of various kinds, an increase of 43 over 1985. The number of gold, silver, and bronze medals was 44, 19, 14, respectively. From the national competitions we won 169 medals of various kinds. The number of gold, silver, and bronze medals was 66, 62, and 41, respectively. During the whole year we held 4,193 sports meets above the county level. Some 940,000 athletes participated in the competitions, an increase of 200,000 over 1985. Some 3.09 million people met the "physical training standards of the state," an increase of 310,000.

IX. People's Livelihood

In 1986, with the development of our economy people's livelihoods in both urban and rural areas continued to improve.

According to results of sample survey made in 5,500 peasant households in 55 counties in 1986 the per capita net income of peasants was 337.9 yuan, an increase of 22.87 yuan (7.3 percent) over 1985. After deducting the price increase factor, their actual income increased by 5.1 percent. The percentage of peasant households whose per capita net income was less than 200 yuan, was 1.6 percent less than in 1985. The percentage of households whose per capita income was more than 500 yuan increased by 4 percent. Per capita living expenses were 310.92 yuan, an increase of 12.6 percent over 1985. Of those living expenses, the expense of consumer goods for daily life was 302.5 yuan, an increase of 12.3 percent. The expense of building houses and buying daily necessities increased most rapidly. By the end of the year, per 100 resident households in villages, 30.3 had bicycles, 14.9 had sewing machines, 109 had wrist watches, 11.5 had TV sets, 3.9 had radio-cassette players, and 5.8 had electric fans.

According to the results of a sample survey carried out in 2,150 resident households in 20 counties and cities in 1986, the per capita income of city and town residents for living expenses was 785.88 yuan, an increase of 22 percent over 1985. After deducting the price increase factor which affected living expenses, their actual income increased by 16.4 percent and their actual living expenses were 777.10 yuan, an increase of 15.7 percent over 1985. Of the living expense, the expense of food was 414.77 yuan, an increase of 18.6 percent, and the expense of clothing was 109.88 yuan, an increase of 19.5 percent. By the end of the year, per 100 city and town resident households, 59.5 had bicycles, 51.5 had sewing machines, 284.1 had wrist watches, 87.6 had TV sets, 45.2 had radio-cassette players, 60.4 had washing machines, 95.8 had electric fans, and 11.5 had refrigerators.

In 1986, job arrangements were made for 293,000 [word indistinct], who were waiting for employment throughout the province. By the end of the year the total number of workers and staff members was 8.584 million, an increase of 250,000 over the same period in 1985. Total wages for workers and staff members (including allowances for meat) was 10.376 billion yuan, an increase of 20.2 percent. The average monetary wage for workers and staff members was 1,237, an increase of 16.5 percent. After deducting the price factor which affected living expense, their actual wages increased by 11.1 percent. The number of individual laborers in cities and towns was 343,000, an increase of 25,000 over the end of 1985.

Savings deposits of people in urban and rural areas increased by a large margin and their living conditions were also improved. By the end of 1986 the balance of savings deposits of urban and rural residents was 12.71 billion yuan, an increase of 40.1 percent over the end of 1986. Dwelling houses newly built in cities and towns covered an area of 11.67 million square meters, whereas in the rural area newly built houses covered an area of 47 million square meters.

We attached importance to social welfare, and scored greater success in the work of giving special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, and in assisting poor households. By the end of 1986 some 2,241 homes of respect for the aged were established by the collectives in the rural areas, which took care of 22,082 old persons, an increase of 8.3 percent over the end of 1985. There were 353 social welfare institutions in cities and towns. They took care of 9,935 old people, an increase of 12.3 percent. Efforts were made to assist disabled servicemen, family members of revolutionary martyrs and servicemen, and poor households. The state adopted effective measures to help poor counties and a number of poor households succeeded in overcoming their poverty.

Insurance further developed. Some 13.72 million people joined the life insurance plan, whereas 979,000 households joined the household property insurance plan.

X. Economy and Culture in the Areas Inhabited by Minority Nationalities

In 1980 our province enforced the "PRC autonomous law for areas inhabited by minority nationalities," further implemented a series of policies worked out by the central authorities and the provincial CPC committee, adopted measures to assist the poor, and strengthened lateral economic links so that our economic and social undertakings developed further. The gross industrial and agricultural output value of the 3 autonomous prefectures and 7 autonomous counties was 3.406 billion yuan, an increase of 5.1 percent over 1985.

Production of agriculture and animal husbandry develop steadily. Gross industrial output value was 2.105 billion yuan, an increase of 2.7 percent over 1985. If industry run at and below the village level is included, the gross industrial output value was 2.271 billion yuan, an increase of 5.3 percent over 1985. As far as farm production were concerned, in spite of losses caused by drought in the spring and summer, and other natural disasters such as plant diseases and insect pests, floods, waterlogging, etc. Total grain production still reached 2.4976 million tons, which was basically the same as the 1985 level. Production output of flue-cured tobacco was 30,200 tons, an increase of 5.9 percent. Production output of oil crops was 41,800 tons, an increase of 12.0 percent. Production output of sugarcane was 367,200 tons, slightly less than in 1985. As far as animal husbandry was concerned, production output of major livestock products continued to increase. The output of pork, beef, and mutton for the whole year was 186,300 tons, an increase of 4.6 percent over 1985. The output of milk was 170,000 tons, an increase of 7.6 percent. By the end of 1986, draught animals were inventoried at 4.9 million heads, an increase of 12.6 percent. The goat inventory was 6.49 million head, slightly lower than in 1985.

Industrial production continued to grow. The gross industrial output value was 1.301 billion yuan, an increase of 9.3 percent over 1985. If industry run at and below the village level was not included, the industrial output value was 1.135 billion yuan, an increase of 4.9 percent over 1985. The total light industrial output value was 478 million yuan, an increase of 7.8 percent. The total heavy industrial output value was 657 million yuan, an increase of 2.9 percent.

The income of urban and rural residents living in areas inhabited by minority nationalities continued to increase, and markets were active. The total volume of retail sales of social commodities was 1.773 billion yuan, an increase of 13.3 percent over 1985. Total wages of workers and staff members working in units under ownership by the whole people and collective units was 691 million yuan, an increase of 19.9 percent over 1985. Their per capita annual wages were 1,353 yuan, an increase of 18.9 percent. The wages of workers and staff members working in units under ownership by the whole people were 628 million yuan, an increase of 20.5 percent. Their per capita annual wages were 1,420 yuan, an increase of 19.8 percent. According to an investigation made in three prefectures, at the end of the year the balance of saving deposits of urban and rural residents was 691 million yuan, an increase of 43.2 percent.

Regarding culture and public health, by the end of 1986, the number of specialized sanitary technical personnel was 23,500, and the number of hospital beds was 16,500. There were 1,853 film projection units of all kinds. The number of students studying in various kinds of schools was 1.976 million. Some 5,031 students studied at institutions of higher learning, and some 3,283 students studied at technical secondary schools. The number of students studying at general secondary schools was 208,400, and the number of students studying at primary schools was 854,300.

XI. Population

According to a sample survey conducted in 42 counties (cities), in 1986 the birth rate was 20.52 per 1,000, the death rate was 6.87 per 1,000, and the natural growth rate was 13.65 per 1,000. Due to the fact that the number of women of child-bearing age increased, the birth rate also went up.

Various figures cited in this communique was based on initial statistics. The growth rate of various total output values, the national income and gross domestic product compared with 1985 were calculated in accordance with comparable prices.

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CSO: 4006/555

PROVINCIAL AFFAIRS

XIZANG OFFICIAL STRESSES REFORM OF ENTERPRISES

HK141528 Lhasa Xizang Regional Service in Mandarin 1300 GMT 13 Apr 87

[Excerpts] In his recent interview with this station's reporter (Zhang Renao), (Yang Kaibing), deputy director of the autonomous region's department of industry and electric power, said that our region's industrial and electric power enterprises this year must concentrate on promoting two tasks. First, they must extensively launch the drive to increase production and practice economy and increase revenue and reduce expenditure, and comprehensively increase economic results. Second, they must unswervingly implement the policy on reform, opening up, and reinvigoration, deepen reforms in enterprises, and develop industrial and electric power production.

(Yang Kaibing) said: Last year the regional industrial and electric power system overfulfilled its annual plan for total industrial output value by 4.7 percent.

Referring to the deepening of reforms in enterprise, (Yang Kaibing) said: This year, while continuing the work of streamlining administration and transferring power to lower levels and the work of further perfecting the system of management responsibility of enterprises, our industrial and electric power system must conscientiously implement the system in which the factory director or manager assume full responsibility and the system in which the factory director takes responsibility for achieving fixed goals during his term of office. This year our industrial and electric power system must also practice leasing out enterprises and contracting out enterprises.

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CSO: 4006/555

PROVINCIAL AFFAIRS

BRIEFS

SHENZHEN INCREASED INDUSTRIAL OUTPUT--During the first quarter of this year, Shenzhen Special Economic Zone further promoted its economic construction on the basis of last year's sustained and comprehensive economic development. Since the beginning of this year, Shenzhen City has started with the work of tapping the production potentials in enterprises and reducing the consumption of materials, launched the drive to increase production and practice economy and increase revenue and reduce expenditure, and achieved good results in this regard. During the first quarter of this year, its total industrial output value reached 1.02 billion yuan, an increase of 83.9 percent as compared with the same period last year; and of this total output value, light and heavy industrial output values respectively increased by 70.6 and 180 percent as compared with the same period last year. In addition, its financial revenue in the first quarter increased by 22.9 percent as compared with the same period last year. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 15 Apr 87 HK] /12858

XINJIANG CAPITAL CONSTRUCTION INVESTMENT--Xinjiang's capital construction investment spending this year is 856 million yuan, somewhat less than last year. To make optimum use of this money, the regional authorities have decided that investment in agriculture and animal husbandry, communications, the light and textile industries, and education will amount to 363 million yuan, an increase of 6.4 percent over last year. Productive projects will account for 114 out of the 157 projects that each cost 3 million yuan and more. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 16 Apr 87 HK] /12858

SHANXI INVESTMENT ORIENTATION--Notable changes took place in Shanxi's investment orientation during the first quarter. 1) Capital construction investment dropped. Investment completed in capital construction during the period was 347 million yuan, a drop of 53 million yuan compared with the same period last year. 2) Investment in upgrading and transformation increased. The figure for the quarter was over 100 million yuan, more than double that for the same period last year. Work has started on 195 of these projects, an increase of 104 compared with the same period last year. [Text] [Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 16 Apr 87 HK] /12858

SHANXI INDUSTRIAL PERFORMANCE--Output value of Shanxi industrial enterprises covered by the budget in the first quarter of the year rose by 10.47 percent compared with the same period last year, while profits and taxes rose by 10.28 percent and tax and profit turned over to the state rose by 8.73 percent. The province's financial revenue increased by 21.52 percent compared with the same period last year. However, the performance was uneven between different prefectures, cities, departments, and bureaus. Some of the main economic indicators were not achieved. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 19 Apr 87 HK] /12858

XINJIANG INDUSTRIAL PROGRESS--A good momentum appeared in Xinjiang's industry and communications in the first quarter. Industrial output value rose by 15 percent compared with the same period last year, while income from product sales rose by 23 percent. Tax payments to the state rose by 18 percent. Capital turnaround also speeded up. Transportation in the first quarter amounted to 810,000 ton/kilometers, a rise of 22 percent compared with the same period last year. The Xinjiang Chemical Fertilizer Plant, which was running at great loss, has improved its production techniques with the assistance of engineers and technicians from the interior. Its losses dropped from 1 million yuan in January to 150,000 yuan in March. It is estimated that the plant can make a profit in April. A regional conference on industrial and communications production, convened on 18 April, proposed that in the second quarter, on the basis of further improving economic results, the enterprises should actively promote the enterprise operational contract responsibility system and the leasing system. Economic structural reform in the enterprises should thus be taken a step forward. Tuohuti Shabier, vice chairman of the regional government, spoke at the meeting. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 19 Apr 87 HK] /12858

HUBEI INDUSTRIAL OUTPUT INCREASES--Hubei Province's total industrial output value during the first quarter of this year reached 11,499 million yuan, an increase of 13 percent as compared with the same period last year. Financial revenue from industrial production during the first quarter increased by 9.68 percent as compared with the same period last year. [Summary] [Wuhan Hubei Provincial Service in Mandarin 0900 GMT 16 Apr 87 HK] /12858

HUBEI PROMOTES ENTERPRISES DRIVE--By the end of March this year, Hubei Province's credit cooperatives had granted 370 million yuan worth of credits for townships and town enterprises, thus promoting the enterprises' drive to increase production and practice economy, and increase revenue and reduce expenditure. [Summary] [Wuhan Hubei Provincial Service in Mandarin 0900 GMT 16 Apr 87 HK] /12858

OUTPUT VALUE INCREASES--The output value completed by township and town enterprises in Hunan Province during the first quarter of this year reached 2.78 billion yuan, an increase of 46.1 percent as compared with the same period last year. From last winter to this spring, due to a long drought the province's electric energy production dropped 8.2 percent, and the power

supply for the province's township and town enterprises dropped about 30 percent as compared with the same period of the previous year. [Summary] [Changsha Hunan Provincial Service in Mandarin 0000 GMT 20 Apr 87 HK]/12858

NEI MONGGOL INVESTMENT REDUCTION--In 1987, Nei Monggol Autonomous Region has decided to curb its investment in various fields. It plans to cut its investment in capital construction by 12.2 percent and 55 million yuan. Its proportion of investment in productive projects has increased from 64.7 percent in the past to 68.8 percent at present. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Apr 87 SK] /6662

HENAN ECONOMIC WORK--According to HENAN RIBAO, Governor He Zhukang presided at an executive meeting of the provincial government on 16 April to listen to reports from various departments on launching the drive to increase production and practice economy and increase revenue and cut spending. The meeting called on the province to get a good grasp this year of the drive to increase production and practice economy and increase revenue and cut spending, and of deepening the reforms. The current problem is to get a good grasp of implementation and carry out work in a thoroughly sound way. In deepening the reform, the work in industrial plants, especially large and medium enterprises, should be centered on promoting the contract operational responsibility system. Small enterprises should be given free to organize leasing contracts. Stress must be laid on improving economic results, especially socioeconomic results. The province must stress responsibility systems and enforce strict discipline. The various departments must improve their organization, arrangements, and coordination of production and circulation, so as to stimulate the development of production. [Excerpts] [Zhengzhou Henan Provincial Service in Mandarin 0200 GMT 17 Apr 87 HK] /6662

GANSU GUIDELINES FOR MATERIAL SUPPLY--Provincial party committee secretary Li Ziqi pointed out at a provincial meeting of material supply bureau chiefs convened on 16 April that the basic guidelines for material supply work in Gansu are to develop the economy, guarantee supplies, carry out reforms and innovations, and enliven the materials in an effort to serve production. Comrade Li Ziqi said: It is necessary to assign improvement of social benefit first place in material supply work. At present, the supply departments should provide more support regarding products in short supply, and less or no support for products that do not sell well. Li Ziqi also said: To ensure materials supplies for production and construction and for the people's daily life constitute the two major tasks for the province's material supply departments. Comrade Li Ziqi stressed in conclusion that the material departments must uphold the principles of party discipline and avoid private dealings and abuse of power. They must establish the idea of wholeheartedly serving the people and play an leading role in straightening out party style. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 16 Apr 87 HK] /6662

CSO: 4006/555

FOREIGN TRADE, INVESTMENT

LEGAL ENVIRONMENT SECURED FOR FOREIGN INVESTORS

OW101333 Beijing XINHUA in English 1321 GMT 10 Mar 87

["Secure Legal Environment for Shanghai's Foreign Investors"--XINHUA headline]

[Text] Shanghai, 10 March (XINHUA)--Shanghai, China's largest industrial city, is creating a sound legal environment in a bid to attract more foreign investment.

According to a municipal official, "legal problems faced by Shanghai-foreign joint ventures have been settled by working them through the new legal system."

Shanghai now has 234 enterprises funded with total foreign investments of 1.62 billion U.S. dollars, an official of the Shanghai Foreign Trade Committee said.

"To date, the city government has issued 11 regulations on investment applications, labor management and land use for foreign investors in addition to the state's existing regulations on foreign trade," said Qian Fuxing, an official of the Shanghai Municipal Government Legal Department.

"These regulations were worked out based on analyses by local legal and economic experts and using laws on foreign investment from other countries as a model," Qian said, adding thanks to combining several foreign trade legal systems, local foreign investors' decisionmaking power has been strengthened.

In a recent case, Martin Posth, deputy general manager of the Shanghai-Federal Republic of Germany Volkswagen Automotive Co. Ltd., which produces "Santana" cars, asked the city's legal department to settle a tax rate and right of sale problem.

Posth said: "China's regulations on industrial and commercial consolidated tax stipulate the company should pay tax at a rate of 4.5 percent, but in fact, we were paying 5 percent."

After the approval of China's Ministry of Finance the problem was solved and Posth, also a holder of a law degree, expressed his satisfaction by saying, "China's regulations for joint ventures are good, and we take them literally, so business must be carried out strictly in accordance with the law."

In the Shanghai-U.S. Tong Hui Carrier Air-Conditioning Equipment Co. Ltd. which started operation last February, more than 50 percent of Chinese managing cadres were shifted to worker status.

"The action complies with Chinese law, because the control of personnel matters by foreign partners in joint venture has always been guaranteed," said Quan Guowen, the joint venture's general manager.

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CSO: 4020/165

FOREIGN TRADE, INVESTMENT

QINGDAO TO IMPROVE FOREIGN INVESTMENT CONDITIONS

OW120511 Beijing XINHUA in English 0300 GMT 12 Apr 87

[Text] Qingdao, 12 April (XINHUA)--Qingdao will try to grant more flexibility for foreign businessmen, said Guo Songlin, mayor of Qingdao, one of the 14 coastal cities designated to practice a flexible policy for foreign investment.

Guo said the city will work to explore new approaches to provide a better environment and working conditions for foreign investment.

To serve foreign businesses in Qingdao, he said, the city has set up a special office to solve questions concerning foreign investment. Under the office are four companies to supply raw materials and consultancy for the foreign-funded enterprises.

He said the city made use of 326 million U.S. dollars in foreign investment and it will bring the percentage of export-oriented enterprises' output value from 10 percent of its total annual industrial and agricultural output value at present up to 20 percent by 1990.

To speed up the financial reform in the city, he said, the Qingdao International Trust and Investment Company and the Qingdao branch of the Communications Bank are under preparation. Also included in the city agenda is the opening of markets for the exchange of raw materials, money, labor and technology.

Qingdao, a seaside resort with abundant resources, is listed as one of China's 15 leading economic cities. It is also one of the 20 cities with a total annual industrial output value surpassing 10 billion yuan. Last year, the State Council gave it decisionmaking powers equivalent to a province to enable the city to go ahead with urban reform.

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CSO: 4020/165

FOREIGN TRADE, INVESTMENT

BRIEFS

JIANGSU ELECTRONICS EXPORTS EXPANSION--Nanjing, 2 April (XINHUA)--East China's Jiangsu Province reported a 130 percent export expansion of electronic products last year over 1985, local officials said. As one of the 6 main electronics bases of the country, production value claims 18.5 percent of China's total and ranks first among provinces, municipalities, and regions according to officials. Export of complete sets of equipment and technology is taking up an increasingly greater share in total export volume, said officials, instead of parts and components as before. The provincial government has adopted policies to give electronics exporters priority in obtaining raw materials, energy, transportation, funds, introduction of advanced technology from abroad, and technical information and services. The province has built up important enterprises producing electronic goods for export in the cities of Wuxi, Nantong, Nanjing, Changzhou, and Suzhou, officials said. [Text] [Beijing XINHUA in English 0835 GMT 2 Apr 87 OW] /12858

QINGDAO BREWERY DIRECT EXPORTS--Qingdao, 8 April (XINHUA)--Since 1 April, foreign buyers can negotiate directly with the Qingdao Brewery, according to a municipal official here today. Qingdao Brewery is the first enterprise in Shandong Province that enjoys autonomy in conducting its import-export transactions. The brewery is China's first and largest producer of beer for export. "Qingdao" brand beer has always been in demand on the international market and is sold to over 20 countries. Exports of "Qingdao" beer make up 95 percent of the country's total and earned over 76 million U.S. dollars in foreign currency last year. In a bid to expand the brewery's exports, the state has decided to dissolve Qingdao's beverage import-export corporation which has functioned as an intermediary in the company's export business in the past. [Text] [Beijing XINHUA in English 1201 GMT 8 Apr 87 OW] /12858

BEIJING EXPORTS BOOST--Beijing, 14 April (XINHUA)--Beijing exported goods worth 199 million U.S. dollars during the first quarter of this year, today's BEIJING DAILY reported. Total exports are up 45.82 percent over the same period last year and the income from the overseas sales of carpets, motor vehicles, and machinery has doubled. By implementing incentive policies encouraging exports, the Municipal Textile Import-Export Company used foreign currency to import 1,300 tons of sheep wool to produce more export-oriented products. Some foreign trade departments are carefully studying world markets in a bid to expand exports. According to statistics, Beijing signed export contracts for 302.79 million U.S. dollars in the first 3 months of this year, up 63.8 percent over the same period last year. [Text] [Beijing XINHUA in English 0555 GMT 14 Apr 87 OW] /12858

FINANCE, BANKING

MINISTRY OF COMMERCE REGULATIONS TO STABILIZE MARKET PRICES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 6 Feb 87 p 3

[Unattributed article: "Ministry of Commerce Issues Eight Regulations To Strengthen Price Controls and Maintain Basic Stability of Market Prices"]

[Text] According to a report in the CHINA BUSINESS JOURNAL, the Ministry of Trade has just issued a notice requiring all commercial, grain, and supply and marketing departments to conscientiously implement the State Council's "Notice Regarding Strengthening Price Controls and Maintaining Basic Market Price Stability," and it has formulated eight specific regulations regarding the matter.

1. Conscientiously implement the state's price policy and maintain the basic stability of market prices. All wholesale and retail enterprises must strictly observe the set prices when selling any commodities subject to state prices; they may not exceed their authority in raising prices nor surreptitiously increase prices. For commodities subject to floating prices, enterprises may not exceed the stipulated range or degree of floating. Commercial administrative departments must consult with pricing and other concerned departments to strengthen leadership and prevent unchecked price increases or reductions.
2. State prices for grain subject to state contractual purchasing must be strictly enforced. When the various grain, commercial, and supply and marketing departments in the main commodity grain-producing areas negotiate grain purchases, they must observe the relevant regulations of the local government and the concerned agencies; the maximum grain price negotiated by the market grain price coordinating group is to be implemented and not exceeded. Competitive buying by raising prices is strictly prohibited. In areas where the market grain prices are too high, the state grain departments shall make every effort to adopt measures that will reduce them.
3. Urban grain departments must properly handle the allocation and transport, processing, and supply of grain and oils. They must conduct stringent quality inspections. Grain and oil rations for urban citizens must be supplied in strict accordance with state prices.

4. Market supplies of key nonstaple foodstuffs, such as meat, eggs, and vegetables, for large and medium-size cities must be ensured. Retail prices of vegetables in large and medium-size cities must be kept basically stable: the quality of pork supplies and their convenience for the masses must be ensured; meat sellers must not sell second-grade cuts of meat as first-grade cuts; we must ensure that quality corresponds with prices. When higher maximum prices have been set for meat, eggs, and other key nonstaple foodstuffs in Beijing, Tianjin, Shanghai and other large cities, they must be conscientiously implemented by commercial enterprises.

5. Chemical fertilizers, farm chemicals, diesel oil, and other important agricultural means of production handled by supply and marketing cooperatives must be sold in strict accordance with the prices set by the state; they may not be sold at higher prices without authorization. Prices for small-scale chemical fertilizers must accord with the provisions of the relevant documents issued in 1986 by the State Planning Commission, the State Economic Commission, the Ministry of Finance, and the State Pricing bureau.

6. Prices of industrial consumer goods subject to state prices shall undergo no adjustment in the near future; allocation prices shall also be kept stable. Prices of commodities with decontrolled prices and those subject to floating prices must conform strictly to the relevant provisions.

7. Prices and tariffs for meals, services, and repairs must be kept basically stable; the food industry must ensure meal quality and stringently enforce the stipulated gross profit rate. When prices and tariffs in a few trades are patently unreasonable and must be adjusted, they must be reported to the relevant department in accordance with their stipulated jurisdiction for approval.

8. Commercial, grain, and supply and marketing departments at all levels shall consult with the relevant departments to strengthen inspection and monitoring; unchecked price increases, short-weighting, deceptive mixing of goods or grades, surreptitious price increase, and unchecked charges are strictly prohibited. In addition to economic sanctions applied according to regulations for individuals and units violating price policy and discipline, the responsibility of enterprise leaders shall be determined.

13322

CSO: 4006/450

FINANCE, BANKING

PERSONAL INCOME TAXES: QUESTIONS, ANSWERS

Changsha HUNAN RIBAO in Chinese 3 Feb 87 p 2

[Interview: "Questions Regarding Introduction of Personal Income Regulating Tax; Official of Provincial Taxation Bureau Answers Reporter's Queries"; names of principals, place, and date not given]

[Text] Recently an official of the provincial bureau of taxation answered questions regarding the introduction of personal income regulating tax.

[Question] What is the purpose of introducing the personal income regulating tax?

[Answer] The personal income regulating tax was introduced beginning 1 January this year. This is because over the last few years there has been a major rise in the income levels of the Chinese people, and a considerable segment of the population has taken the lead in become prosperous. A gap has already formed between the personal incomes of this segment and those of ordinary people, and hence in distribution there have been problems involving an excessively rapid increase in consumption funds and discrepancies in income levels among the population. Introduction of a personal income regulating tax is intended to apply the taxation lever to appropriately regulate the problem of income disparities while at the same time continuing to allow some people to become wealthy first.

[Question] Will it still be possible for some people to become wealthy with the introduction of this tax?

[Answer] Given the current income and consumption levels of the Chinese people, the personal income regulating tax sets fairly high deductions for expenses and fairly low tax rates. The actual income of high-income citizens after payment of the personal income regulating tax will still be much higher than the current per capita income of the Chinese people; the individual's income will still be substantial. Therefore, some people will still be able to become wealthy first after the personal income regulating tax is levied.

[Question] On which types of incomes does this tax have to be paid?

[Answer] Personal income regulating tax must be paid on all income meeting the taxation criteria, including wages, salaries, contracts and subcontracts, remuneration for labor services, leasing of property, patent transfers, patent permits, interest, dividends, bonuses, and other income on which the financial departments have decided to levy taxes.

[Question] How is this tax calculated?

[Answer] Depending on the source of income, a proportional tax rate and a progressive rate are used to calculate the tax.

Items taxed at the proportional rate are income from interest, dividends, bonuses, articles submitted for publication, translations, patent transfers, patent permits, and nonpatent technology provided or transferred. The tax rate is 20 percent. For income from articles submitted for publication, translations, patent transfers, patent permits, and nonpatent technology provided or transferred, it is stipulated that whenever the income is less than 4,000 yuan, the tax is calculated after deducting 800 yuan in expenses; above 4,000 yuan, 20 percent is deducted for expenses, and the balance is taxed at the proportional rate of 20 percent.

The progressive rate is divided into four levels, based on the different categories of wage regions uniformly set by the state; a different base is set for each grade and, beginning with the portion in excess of threefold the base, monthly tax is calculated at the progressive rate. This includes personal income such as wages, salaries, contracts, subcontracts, remuneration for labor services, and leasing of property. They are combined to give the comprehensive income. The formula is as follows: comprehensive income x applicable tax rate - deductions.

[Question] What is exempt from the personal income regulating tax?

[Answer] The following are exempt: subsidies, welfare payments, pensions for the disabled, relief payments, insurance indemnities, costs of transfer to civilian life for military cadres and soldiers, and demobilization pay issued according to uniform state regulations; family allowances, resignation or retirement pay, separation wages, and separation assistance to cadres issued to cadres, staff and workers; interest on treasury bills and on bonds issued by the state, interest on deposits with national banks, credit cooperatives, and the post office, etc.

Income from cultivation and breeding under specialized contracts after payment of the tax under the Agricultural Tax Regulations, and profits from individual industrial and commercial households after payment of income tax are not subject to further distribution and, for the time being, will not be subject to the personal income regulating tax; should further distribution be necessary, the personal income regulating tax will be levied according to dividends and bonuses.

13322
CSO: 4006/450

INDUSTRY

CAMPAIGN TO TRAIN LARGE ENTERPRISE MANAGERS

OW030107 Beijing XINHUA Domestic Service in Chinese 0745 GMT 2 Mar 87

[By reporter Yang Guojun]

[Excerpt] Beijing, 2 March (XINHUA)--Addressing the opening of the first national job training class for plant directors (managers) of large enterprises today, He Yong, deputy director of the Organization Department of the CPC Central Committee, said: In the next 4 years job training will be conducted nationwide for over 35,000 leading cadres of more than 8,000 large- and medium-sized enterprises.

He Yong said: To conduct training for leading cadres of large- and medium-sized enterprises to raise their political and professional standards is an important measure to further invigorate enterprises and to meet the requirements of China's economic structural reform and economic development, as well as a focal point in the country's overall education project for economic management cadres in the next 4 years. It was learned that this training project, jointly organized by the State Economic Commission and the Organization Department of the CPC Central Committee, is being conducted nationwide, mainly to train plant directors (managers), party committee secretaries, chief engineers, chief economic managers, and general accountants of large- and medium-sized enterprises.

From 1982 to 1985, while the organizational reform and economic structural reform were under way, the state conducted two general shakeups of the leading bodies of large- and medium-sized enterprises. At present, 90 percent of incumbent cadres at large- and medium-sized enterprises were appointed or elected after 1982, mostly with fixed tenures. With an average age of 45, most of them have college or higher education.

He Yong pointed out: Most of the cadres of the newly formed leading bodies have engineering and technological backgrounds, but they are unfamiliar with the commodity economy, modern operation and management, and economic regulations; they are also inexperienced in leading people. Therefore, it is necessary to acquaint them as soon as possible with modern economics and management knowledge and to educate them systematically in the basic theories of Marxism.

12858

'SO: 4006/556

INDUSTRY

INDUSTRY URGED TO INCREASE RECYCLING

HK060216 Beijing CHINA DAILY in English 6 Mar 87 p 1

[By staff reporter Ding Wu]

[Text] More than 25 billion yuan (\$6.7 billion) worth of useful materials are going down the drain each year in this country, because of the lack of industrial recycling, CHINA DAILY was told yesterday.

The power industry--while crying out for fuel--is losing 7 billion kilowatt hours each year through wasting usable low-grade coal. Similar wastage are also seen in the textile, metal and light industries, which throw away millions of tons of reclaimable solid, liquid or powder materials every year, according to a spokesman of the Comprehensive Production Bureau under the State Economic Commission.

China has to continue importing timber because of its limited forest resources. However, the State forestry network is each year throwing away more than 16 million cubic metres of timber during wood-processing--with a recycling rate of only 10 percent, the spokesman said.

The lack of recycling has, moreover, brought the country an additional burden by setting aside more and more useful land for stockpiling waste materials. More than 400 million tons of industrial waste and slags take up 60,000 hectares of land annually, "resulting in more losses to the country's agriculture."

On top of that, pollution caused by the piles of industrial waste is causing more and more damages to surrounding areas, causing an estimated loss of nearly 10 billion yuan (\$2.7 billion) every year, the spokesman added.

In a bid to encourage industrial recycling, the State Council has, since 1985, adopted a set of regulations giving awards and tax benefits to factories which use recycled raw material. "However, these measures have not produced the desired results, because no fund was specially provided for the awarding system," said the spokesman.

The Comprehensive Production Bureau is now working on a set of more effective rules, giving preference in both funding and tax concession to enterprises using recycled materials, he said. "We can adopt the regulations, but grassroots units and individuals must carry them out," said the official. "We should inform people from all walks of life to hand in waste materials, such as old toothpaste tubes and batteries."

All the sediment from blast furnaces was collected and used to make good quality and inexpensive cement. Yanshan General Petrochemical Works sells the sediment for 100 yuan a ton.

But too little steel is recycled to ease China's severe shortage. Only a little more than 10 percent is recycled while advanced countries, such as Japan, recycles 90 percent of the waste.

Advanced technology, trained workers and efficient management were needed to make full use of waste materials, he said.

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CSO: 4020/166

INDUSTRY

NEW REGULATIONS TO SAVE ELECTRICITY PASSED

OW051653 Beijing XINHUA in English 1614 GMT 5 Apr 87

[Text] Beijing, 5 April (XINHUA)--China has passed stricter regulations to save electricity in industrial sectors and cut the consumption of electricity by electric appliances.

The country increased the output of electricity generated by about nine percent to 445 billion kWh's last year, ranking the fifth in the world, but the supply still fell short of demand in some areas, an official said at a news conference here today.

The State Council approved on 30 March the regulations on further strengthening the work of conserving electricity, which had been submitted by the State Economic Commission and the State Planning Commission.

Speaking of China's power shortage, the official said the development of energy in China failed to keep pace with the expansion of national economy.

However, the official also cited waste as a serious factor, adding that the electricity consumed by air blowers and water pumps consume 40 percent of the electricity used in the industrial sector and, owing to incomplete system and outdated equipment and technology, some 10 billion kWh's more electricity consumed annually.

The official noted that strict rationing will be imposed on industrial enterprises while they are also encouraged to find better conservancy techniques.

Moreover, rural township enterprises are likewise urged to save electricity and rural electricity supply network should be improved and power irrigation and drainage facilities renovated so as to save more electric power, the official said.

/12858

CS0: 4020/166

INDUSTRY

REGULATIONS ON ELECTRICITY CONSERVATION VIEWED

OW060011 Beijing XINHUA Domestic Service in Chinese 0134 GMT 5 Apr 87

[Text] Beijing, 5 April (XINHUA)--The State Council recently approved and transmitted the "Regulations for Intensifying Conservation of Electricity" drawn up jointly by the State Economic Commission and the State Planning Commission.

The "regulations" urge all trades, professions, and regions to exercise strict control over consumption of electricity; and set electricity consumption quotas for the production of different types of major products and equipment, as well as for different regions. They say: Enterprises should have electricity consumption quotas, and their consumption should be assessed monthly. Their electricity consumption should be regarded as part of their all-around performance, and electricity-efficient enterprises should be assured of electricity supplies. Enterprises whose electricity consumption exceeds the quotas should pay higher electricity fees, which should be 5 to 10 times higher than the current electricity rates. Electricity efficient enterprises shall be awarded according to the state's current regulations.

The "regulations" say that to regulate electricity use, arrangements should be made so that enterprises whose production can be interrupted and equipment which consumes great amounts of electricity can take turns operating alternately. During periods when power consumption is low, or water is plentiful, enterprises whose electricity consumption exceeds the quotas shall not be penalized if they have the electricity department's approval. Meanwhile, the Ministry of Water Conservancy and Electric Power and the State Administration of Commodity Prices should draw up details for assessing electricity rates and, on the basis of not affecting state revenues, assess low electricity rates for periods when power consumption is low, or water is plentiful.

The "regulations" say: Greater efforts should be made to develop energy-efficient equipment on a priority basis and speed up the replacement of old equipment. Within the deadline that has been set, all manufacturers must stop producing or marketing mechanical and electrical equipment the state has declared obsolete. Should any enterprise continue to use obsolete equipment, the amount of electricity it wastes in using that equipment shall

be charged a fee 5 to 10 times higher than the current electricity rates. Equipment that has been replaced must be disposed of on the spot, and must never be resold or reused. Any reseller or reuser shall be fined by the Business Administrative Department.

The "regulations" set forth major electricity conservation measures for enterprises, saying that electricity quotas shall not be reduced for those enterprises which generate additional electricity for their own use by utilizing reusable heat and pressure, or tailings; that electricity distributing departments shall award enterprises which conserve electricity through lowering the consumption of electricity for unified distribution; and that an enterprise which has surplus electricity to sell through the power-support network shall receive market prices for its electricity, as well as procurement and marketing services.

The "regulations" maintain that an important aspect in conserving electricity is the exercise of proper control over electricity for agricultural production. They point out: Quotas should be set for electricity for irrigation purposes, and no electricity is lower than 20 percent. Without electricity departments' authorization, industrial and mining enterprises, or rural enterprises, may not transfer their electricity to the rural areas. (When none of them have already done so), payments shall be collected according to the current electricity rates.

The "regulations" also stress that electricity not for production use should be controlled. They say: Electricity for guesthouses, hotels (including foreign enterprises), official organs, stores, and institutions located within the state's power-supply network shall be supplied according to plan. Their power consumption quotas shall be set at regular intervals according to the principle of conserving electricity. Excessive consumption shall be charged a payment 5 to 10 times higher than the current rates. Guesthouses, restaurants (including foreign enterprises), official organs, stores, and institutions may not use electricity for heating water or keeping warm. No air conditioners, or electric fans or heaters, may be used--except in tourist hotels, research laboratories, purification rooms, surgical rooms, telecommunications rooms, computer rooms, and theaters, or on special occasions. All localities should, in accordance with the "Provisional Standards for Tourist Hotel Designs" set by the State Planning Commission, draw up standards for controlling the air conditioning systems in guesthouses and hotels located in their areas. Guesthouses and hotels equipped with air conditioners, electric fans, or heaters must also install thermostats. Should their indoor temperature, humidity, and added wind power exceed the controlled standards, the price of the electricity consumed on their air conditioning shall be two to three times higher than the current rates.

Regulations governing power consumption for daily household use are as follows:

--Except in localities where electricity is supplied by small hydroelectric power stations, and in localities authorized by the State Planning Commission, cooking by electricity shall not be popularized;

--In addition to assessing and collecting fees for electricity for lighting purposes according to state rates, a charge 5 to 10 times higher than the basic electricity rates shall be imposed on the amount of electricity consumed by household air conditioners, electric fans, heaters, and nonstandard electrical cooking utensils, according to the capacity of the equipment.

--Except for special occasions, electricity consumption per household is limited to 60 to 100 kWh a month, depending on where the house is located. Any amount exceeding the limit shall be charged a payment 5 to 10 times higher than the current rates.

The "regulations" instruct the Ministry of Water Conservancy and Electric Power to set up a "National Electricity Conservation Office" to take charge of promoting, supervising, and inspecting electricity conservation in the country.

/12858

CSG: 4029/166

INDUSTRY

HEBEI RADIO URGES REDUCING MATERIAL CONSUMPTION IN INDUSTRY

HK180303 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT
17 Apr 87

[Station commentary: "Reducing Material Input Consumption Must Be Regarded As an Important Way of Increasing Income and Cutting Spending"]

[Excerpts] Reducing material input consumption is an important way of increasing production and practicing economy and increasing income and cutting spending in the industrial enterprises. A current difficulty being encountered by the enterprises is the shortage of raw materials and energy. On the other hand, the high consumption and great waste intensifies the contradiction between supply and demand and leads to increased production costs, reduced profits, and poor economic results.

Last year the province's consumption of standard coal per 10,000 yuan of output value was 3 tons higher than the national average. If a 3 percent reduction can be achieved this year, we will be able to economize nearly 1 million tons of standard coal over the whole year, equivalent to the output from a large new coalmine.

Last year material input consumption accounted for nearly 80 percent of industrial production costs in Hebei. Hence, to reduce production costs and increase profits. The key lies in working hard to cut material input consumption.

There are three main reasons for the high input consumption and great waste in many enterprises: 1) Basic management work is weak, input consumption norms are not on a sound basis, measurements are inaccurate, statistics are not strict, examinations are conducted in an unprincipled way, and some even indulge in the practice of having everyone eat out of one big pot. 2) Technology and equipment are backward, the standard of industrial skills is low, and product design is irrational. 3) Policies encouraging the reduction of material input consumption are not on a sound basis, the worker's interests are not linked up to input consumption, and there is a lack of internal motivation for reducing input consumption.

In view of these problems, enterprises must have specific targets to aim for in reducing material input consumption. It is necessary to strengthen basic management work including standards, measurements, fixing norms, statistics, examination, and warehouse management.

INDUSTRY

BRIEFS

SHANGHAI'S INDUSTRIAL OUTPUT--Shanghai, 7 April (XINHUA)--Shanghai's industrial output value amounted to 22.897 billion yuan in the first quarter of 1987, up 1.824 billion yuan or 8.7 percent from last year. In the first quarter of this year, the output of electronic products, bicycles, television sets, tape recorders, household washing machines, dairy products, beer, steel, coke, chemical fertilizer, plate glass, automobiles, and micro-computers increased more than 10 percent. However, a major problem for Shanghai's industry is economic inefficiency. There was a slight drop in revenue in the first quarter, and supply of some raw materials, parts, and accessories failed to meet demand. [Summary] [Beijing XINHUA Domestic Service in Chinese 0043 GMT 7 Apr 87 OW] /12858

NORTHEAST PROVINCES' INDUSTRIAL PROJECTS--Shenyang, 15 April (XINHUA)--The three provinces of Northeast China and the Inner Mongolia Autonomous Region will combine their resources this year to focus on projects crucial for the zone but difficult for an individual province to complete, a local official said. The highway from Shenyang, capital of Liaoning Province, to Harbin, capital of Heilongjiang Province, will be widened. Also, Heilongjiang Province will produce and supply enough coke for the Anshan Iron and Steel Corporation to increase its rolled steel output. The Transregional Cooperation Organization, established in 1983, plans to set up more cooperative enterprise groups to mainly develop high-quality products to make full use of local resources. The official quoted the example of the newly-established Northeast China Towel Corporation, which is expected to earn an additional 10 million U.S. dollars annually in foreign exchange. As a cooperation organization under the State Council, the economic zone will amass reliable data this year for its future development program, especially for grain production, energy and transportation development, the official said. [Text] [Beijing XINHUA in English 0654 GMT 15 Apr 87 OW] /12858

CSO: 4020/166

SMALL-SCALE ENTERPRISES

GROSS OUTPUT VALUE OF TOWNSHIP ENTERPRISES

Beijing JINGJI RIBAO in Chinese 24 Feb 87 p 1

[Article by Zhang Zichen [1728 1311 5256]: "Last Year Township Enterprises Had Gross Output Value of Over 330 Billion Yuan"]

[Text] At a working meeting of some provincial and municipal economic commissions regarding township enterprises called by the State Economic Commission on 23 February, this reporter learned that the gross output value for township enterprises in 1986 will reach over 338 billion yuan, an increase of more than 60 billion yuan, or 24 percent, over the previous year. As they presented information about the growth of township enterprises, the responsible comrades also indicated that solutions must be found to the most salient problems.

They explained that last year China's township enterprises in provinces such as Jiangsu, Zhejiang, and Shandong continued their growth, while in provinces such as Jilin and Gansu, which got a later start, there was also significant growth.

As township enterprises proceed with the "three improvements" of improved management, improved technology, and improved levels, and reform of the economic system continues in the cities, urban-rural economic associations have been promoted. According to incomplete statistics from 10 localities and cities in Shandong, including Jinan and Yantai, there were nearly 16,000 projects involving the development of horizontal associations last year; more than 10,000 associated enterprises were created, and more than 300 million yuan in capital was brought in. At the same time, reform of collective enterprises has made new strides; in some prefectures in Sichuan, Henan, and Shanxi, the capital share system has not only become the main form of new enterprises but is also being used in collective enterprises.

13322

CSO: 4006/450

AGRICULTURE

LIU GUANGYUN INTERVIEWED ON FORESTRY AND REFORM

Beijing ZHONGGUO LINYE [FORESTRY OF CHINA] in Chinese No 1, 17 Jan 87 pp 12-13

[Interview with Liu Guangyun [0491 1639 6663], vice minister of the Ministry of Forestry, unnamed correspondent, date and location not given: "Some Views on the Forestry Situation and Reform"]

[Text] Reform is the principle theme of our era and the major trend of social development. The combination of rural economic restructuring and urban reform in China has brought limitless vigor and vitality to the great socialist cause. In this mighty torrent of reform, what is the state of forestry across the country and how can we continue to intensify reform and transform the face of forestry as quickly as possible? Our ZHONGGUO LINYE reporter interviewed Vice Minister Liu Guangyun, who responded to certain questions that everyone has been concerned about.

Question: How are we to have a correct understanding of the current state of forestry construction in China?

Answer: Under the solicitude and concern of the CPC Central Committee and the State Council, and under the promotion of rural economic restructuring, reform on the forestry front has also gradually intensified in China. By and large, there is a nationwide growth trend in forestry construction and the situation looks very good. However, there are some prominent problems, and chief among them is that the state of virgin forest regions has changed very little--so little that they are still shrinking and declining. We can say that these are the two aspects of the forestry situation currently confronting us.

When we say that forestry is experiencing a growth trend, this is primarily manifested in the following ways: First, the broad plains areas in regions that were previously unforested or sparsely forested have seen breakthrough development in afforestation and greening efforts and are becoming a source of burgeoning industry in agricultural regions. Of the 422 plains counties and cities on the North China Plain and the Central Plains, 145 have achieved the standard for plains afforestation. The forest cover ratio has risen from 2 percent in the early years after the founding of the PRC to 10.7 percent today. Second, in the past few years we have persisted in "playing the pipa in reverse," in the broad northwestern, northern, and northeastern region that has long been subjected to the damages of water and soil loss and blowing

sands. Through arduous struggle the first phase of a project to construct a protective forest system has been victoriously completed and the natural environment has been improved in many places. Third, the mass campaign for everyone to plant trees voluntarily has aroused enthusiasm for afforestation and greening efforts in the party, the government, the armed forces, the people, the schools, and among every trade and profession in industry, agriculture, commerce, academia, and the military. This has provided a powerful impetus for developing afforestation in many areas. Fourth, industrial composition within forestry has been readjusted significantly. The longstanding undiversified status of the industry has changed somewhat. In 1985 income from diversified operations and multipurpose utilization comprised 37 percent of the total income of the 1,000-plus state-run forestry centers. The value of output from diversified operations and multipurpose utilization in forestry enterprises in state forest regions totalled 1.6 billion yuan, or about 36 percent of the gross value of output for forestry enterprises. These facts indicate that the forest industry is developing progressively in a good direction.

Question: What areas are included in China's virgin forest regions? Why do you say they are facing a crisis?

Answer: China's existing virgin forest regions are primarily the state forest regions centered around forestry bureaus in the northeast, Nei Monggol, the southwest, and northwest, and in the collective forest regions focused on key forestry counties in the nine southern provinces and autonomous regions. Not only are these two greater forest regions the primary bases for timber production and supply in China, they are also for the most part situated at the sources of major rivers. They form the primary protective screen in the natural ecology of China. Advances and declines in these regions directly affect our long-term interests in territorial security, stable agricultural production, the four modernizations, and the environment.

However, these regions are now in a very difficult situation and are facing an unprecedented crisis--and this is not just alarmist talk! The following instances are sufficient to illustrate this point satisfactorily: First, forest resources have declined sharply. Right now, extractable resources have been essentially exhausted in 25 of the existing forestry bureaus in all state forest regions, and by the end of this century the harvestable forest will be completely used up in many of the forestry bureaus. Forest resources from collective forest regions have also declined by a large margin. In the 1950's there were 158 key forestry counties storing 1 billion cubic meters in southern collective forest regions. Today there are less than 100. There has been a 42 percent decline since the 1950's in the number of key forestry counties able to supply commodity lumber. If we do not adopt salvage measures, by the end of the century key forestry counties in the southern collective forest regions will be unable to continue supplying the state with lumber for construction. Second, the economy in virgin forest and mountain regions has long been depressed. According to statistics, in 81.4 percent of the depressed counties in the 14 large impoverished regions are located in China's forest and mountain regions. Poverty has become virtually synonymous with mountain regions. The state of economic crisis and poverty that exists in forest industry enterprises in state forest regions is also rare by

comparison with other industries and professions nationwide. In 1985 the average per capita retained profits in these enterprises was only 214 yuan. Some 22 percent of the forestry bureaus have no way to produce premiums, only something over half can produce one month worth of premiums, and only 5 bureaus, or 4 percent, can produce 2 months worth of premiums. The economic burden on society in forest regions is extremely heavy. In 1985 operating expenses took 51 percent of sales profits--and even up to 82 percent in the Aba Forest Region of Sichuan. Because enterprises are in extremely poor financial condition, the surplus staff and workers in forest regions cannot change occupations, and departing or retiring workers and youth awaiting employment cannot be placed. This directly affects stability and unity in mountain regions. We must take a sober look at this potential danger in the forestry situation.

Question: What are the crucial reasons for the paucity of change in China's virgin forest regions?

I believe that, basically speaking, this was brought about by the outdated economic system in virgin forest regions, the neglect of forestry in economic diversification policies, and the violation of natural and economic forestry patterns. Specifically, we first of all engaged single-mindedly in log production and applied a uniform pattern to everyone. We gave insufficient consideration to cultivating forests, extending utilization perpetually, or taking advantage of diverse forest functions and benefits. Second, in the planning system did not determine timber output based on a principle of prudent forest use, but on the basis of need. Long-term state monopoly procurement and concentrated overfelling caused us to consume more forest resources over a long period of time than could be replaced by forest growth. Third, in the pricing system we considered forests as just natural materials to be demanded, not acknowledging the value of forest resources. We calculated only the harvest and transport costs and assigned a very low value to the timber itself. Thus, after felling there was no prompt investment or compensation for forest resources, in violation of the characteristics of forest reproduction and the law of value. Fourth, in economic policies we ignored the protracted forest production cycle and neglected to consider ecological and economic benefits. We paid no attention to the fact that because timber transportation distances were lengthening production costs would inevitably increase and the social burden would be very heavy. It did not occur to us that if we harvested heavily and invested lightly enterprises would be incapable of bearing up under these economic pressures. Fifth, in investment policies we concentrated on producing logs; linked money and materials to lumber, and neglected inputs to cultivate forest resources and make multipurpose use of forest regions. Sixth, in our management system business was conducted piecemeal, production and marketing were disjointed, duties and powers were separated, each collided with the other, and the difficulty was in coordination. As for the inner workings of forestry, additional important reasons are that foundation work was weak, operations were extensive, management was backward, internal mechanisms and movements were ineffective, and economic benefits were low.

Question: What plan does the Ministry of Forestry have for determining the guiding ideology, strategic arrangements, and business policies for forestry reforms and construction?

Answer: After inspecting the Greater and Lesser Xing'an Mountain Forest Regions in September 1986, State Council Vice Premier Tian Jiyun [3944 4764 0061] pointed out that "Forestry departments must determine the proper guiding ideology, strategic arrangements, and business policies." We are now conducting conscientious research and investigations to try to propose and put into effect a good plan as quickly as possible. Our tentative plan is as follows: First, we must make vigorous efforts at afforestation, raising trees, and increasing forest resources, and we must increase the cover ratio. This is the basic route to resolving forestry problems in China. During the Seventh 5-Year Plan and for quite a long time to come the guiding ideology for forestry reform should proceed by taking full advantage of the ecological, social, and economic benefits of forests, organically integrating "the three benefits," and gradually reordering the various internal and external relationships in forestry today. Through great efforts during the Seventh 5-Year Plan or some longer period of time we must establish a new framework for the forestry economic system and vigorously develop forestry to meet the demands of the four modernizations and the needs of China's ecological environment. Second, as far as the strategic arrangements are concerned, in our existing virgin forests we must resolutely enforce recuperation and multiplication, enhance forest cultivation, increase reserve resources, and prepare reserves so that virgin forests can make a new contribution. In the southeastern region and the plains agricultural district, where natural resource conditions are advantageous, we must focus on developing fast-growing, high-yield forests and strive to supply even more timber within a short period of time for state construction and the people's use. Where soil and water erosion and blowing sand damage is severe in the "three northern regions," the Taihang Mountains, the middle and lower reaches of the Chang Jiang, and along the coastal defence line, we must continue to make efforts to plant trees and grass, increase vegetation, improve the ecological environment, and enhance the security of the land. Third, as far as business policies are concerned, we must continue to readjust industrial composition; institute comprehensive, three-dimensional development; develop a diversified economy and diversified industry; gradually form a multipronged industrial composition focused on forestry; and transform forestry resource advantages into economic advantages.

Question: In order to realize the goals of reform, what problems will we have to resolve in the future?

Answer: On consideration, there are problems in the following six areas: 1) We must continue to improve our understanding of forestry and mobilize people around the nation to engage in forestry. Vice Premier Tian Jiyun recently emphasized that "Forestry development is not merely a job for forestry departments, rather it is a job for the whole society. Intensifying propaganda and education and improving people's understanding are prerequisites for resolving forestry problems. We must adopt diverse forms, broadly disseminate the crucial importance of protecting forest resources and developing forestry, and raise consciousness to do a good job in forestry

construction." This is completely correct. Taking stock of the various countries around the world, the quality of forest protection and the speed of forestry development in a nation are intimately related to the understanding of forestry in that nation's government, society, and people. Consequently, there is a need to conduct widespread propaganda to ensure that all levels of the party and government and the broad masses of people will truly understand that greening the motherland and developing forestry are basic national policies. By so doing we will raise cadre and mass consciousness for afforestation and tree seedling cultivation, and the pace of forestry reform and construction will go faster and faster.

2) We must rearrange the lumber pricing system and reveal the true nature of commodity forestry production. This is where the key to restoring and expanding forestry resources lies. For a long time the structure of lumber prices in China has been irrational, and one of the major faults is that no lumber pricing system has been put into effect. There has been no acknowledgement that forests have value, and lumber prices have not included any calculation of the cost of managing a forest. Thus, not only have we been unable to compensate labor for cultivating forest resources, resulting in the gratuitous felling and waste of forests, we have also created the false impression that forestry enterprises make a profit, and we have exacerbated the economic burden of forestry. We suggest that at the same time as we are readjusting lumber prices, as quickly as possible we should strive to establish a forest valuation system and institute compensation for forest felling and transfer, thereby guaranteeing the restoration and development of forest resources.

3) We must put special aid policies into effect for forestry and change heavy extraction and light investment into more investment and less extraction. In the future, in addition to forestry departments themselves improving the level of operation and management and enhancing the function of *ziwo zaoxue* [5261 2053 6644 5877], we must implement preferential tax collection policies and allow reductions or exemptions for taxes and fees. We must raise our investment in forestry and year by year increase the proportion of national capital construction investment devoted to forestry. At the same time, we must increase long-term loans to forestry at low interest (or discounts), for use in afforestation, raising tree seedlings, and developing a diversified forest economy.

4) We must further rearrange economic relationships after lumber from southern collective forest regions is deregulated. In order to consolidate and develop any gains that follow the deregulation of lumber business, we must first reduce intermediate taxes and fees, increase income for forest growers, and arouse peasant enthusiasm for engaging in forestry. At the same time, we must reduce the price differential for lumber procurement and marketing and not give middlemen the conditions to pay fewer taxes or evade taxes and thus reap higher operating profits. Second, we should eliminate the "money-timber connection" and continue to arrange the forest labor investment in collective forest regions. Each province and autonomous region should arrange to use some of the increase in financial revenues from timber deregulation for forestry construction funds.

5) We must conscientiously implement various reform measures in state forest regions to create the conditions for forestry to recuperate and build up strength. In 1986 the general office of the State Council transmitted its "Summary of the Conference on Researching and Resolving Forestry Industry Problems in State Forest Regions" and demanded that each province and autonomous region and all the ministries and commissions conscientiously carry it out. We will work together with the provinces and autonomous regions and the relevant departments to achieve the resolutions in this "Summary," including reducing forest overcutting and carrying out various economic policies, and we will as rapidly as possible extricate our virgin forest regions from difficulty.

6) We must vigorously enhance forestry operations and management and constantly raise the economic benefits of forestry. At the same time as we continue to readjust and develop external forestry conditions, we must make a greater effort to do a satisfactory job of forestry foundation work, establish a sound system of economic activity within forestry, and tap the potential of forestry itself. We must further enhance our protection and management of forest resources, earnestly curb unplanned tree felling, and achieve the greatest economic benefits from the consumption of relatively few resources. Simultaneously, we must conscientiously manage and use state forestry funds. We must do as Shanxi has done in pursuing engineered reforestation methods: they have very effectively constructed rapid-growing, high-yield forests and various kinds of forestry bases. We must continue to readjust and reform industrial composition in forest regions; stimulate the mountain economy; achieve coordinated development of forestry, agriculture, and animal husbandry; and better serve the four modernizations.

12510

CSO: 4006/355

AGRICULTURE

EFFECTS ON STRIPED RICE BORERS OF INSECTICIDE COMBINATION

Beijing KUNCHONG ZHISHI [ENTOMOLOGICAL KNOWLEDGE] in Chinese No 6, 1986 pp 279-281

[Article by Tan Fujie 6223 4395 2638], Plant Protection Department, Nanjing Agricultural University: "Biological Measuring Methods for Insecticides Used in Combination"]

[Abstract] The author conducted experiments to determine whether a mixture of parathion and trichlorfon insecticides would prove more toxic to striped rice borer [*Chilo suppressalis* Walk.] larvae than each of the two insecticides used separately. Two biological measurement methods were used to conduct the experiments, namely the common toxicity coefficient (C.T.C.) method published by Sun Yunpei [1327 0061 3099] in 1960, and the common toxicity factor (C.T.F.) method published in 1966 by N.A. Mensour. One part parathion to three parts trichlorfon were mixed with acetone in five to six concentrations of different strengths. Various concentrations were dripped in carefully calibrated amounts on the backs of between 300 and 400 striped rice borer larvae of six different ages. Acetone alone was dripped on the backs of 50 larvae that served as a control. The larvae were then kept at 28 degrees C. for 16 hours in light and 8 hours in darkness. After 48 hours, the number of dead insects and the mortality rate were recorded. It had been thought that the combination of insecticides might have one of the following outcomes: 1) an effect analagous to each of the insecticides used separately; 2) an antagonistic effect whereby each partially canceled out the effect of the other; 3) an added effect greater than results obtained by either insecticide; or 4) a synergistic effect, results being greater than the sum of results from both insecticides. Results of the experiment showed not the synergistic effect hoped for, but an added effect.

9432

CS0:4011/22

AGRICULTURE

PER CAPITA OUTPUT OF MAJOR FARM PRODUCTS

Hefei ANHUI RIBAO in Chinese 26 Mar 87 p 2

[Text]

unit: kilogram/person

ITEM	<u>1949</u>	<u>1952</u>	<u>1957</u>	<u>1965</u>	<u>1978</u>	<u>1980</u>	<u>1984</u>	<u>1985</u>
Grain	209	288	306	272	319	327	396	365
Cotton	0.8	2.3	2.6	3.0	2.3	2.8	6.1	4.0
Oil Crops	4.8	7.4	6.6	5.1	5.5	7.9	11.6	15.2
Pork, Beef Mutton		6.0	6.3	7.7	9.0	12.3	15.0	16.9
Aquatic Products	0.9	3.0	4.9	4.2	4.9	4.6	6.0	6.3

(Based on State Statistics Bureau data)

CSO: 4006/571

AGRICULTURE

FEBRUARY FARM MACHINE SALES REPORTED

Beijing ZHONGGUO NONGJIHUA BAO in Chinese 7 Apr 87 p 3

[Text]

<u>ITEM</u>	<u>UNIT</u>	<u>NET SALES</u>	<u>SOLD TO RURAL AREAS</u>	<u>IN STOCK</u>
Large, Medium-Sized Tractors	no. h.p.	3,924 178,117	3,011 132,071	7,277 336,484
Walking Tractors	no. h.p.	38,975 432,190	34,719 384,481	20,299 188,169
Small Four-wheel tractors	no. h.p.	41,593 513,432	39,277 471,734	12,397 148,507
Tractor Plows	no.	804	676	9,117
Tractor Harrows	no.	257	196	5,057
Small Trailers	no.	2,926	2,278	6,828
Large Trailers	no.	40,491	36,829	12,616
Plant Protection Equipment	no.	802	428	11,774
Livestock Equipment	no.	326	148	895
Threshers	no.	913	577	16,540
Power Equipment	no. h.p.	90,349 1,006,487	61,395 646,537	302,776 3,185,733
Diesel Engines	no. h.p.	64,288 799,506	44,091 510,668	117,380 1,549,100
Wheelbarrows	no.	524,442	171,620	948,776

CSO: 4006/572

AGRICULTURE

BOOSTING AGRICULTURAL INVESTMENT IN ANHUI

Hefei ANHUI RIBAO in Chinese 22 Mar 87 p 3

[Article by Ding Houci [0002 0624 1964] "Two Types of Changing Trends Invite Reflection"]

[Text] During the Sixth 5-Year Plan the amount of money Anhui invested in agriculture was considerably reduced. From 1981 to 1985 investment in agriculture in the entire province was only 5.5 percent of total investment, a proportion lower than in earlier 5-year plans. During the first years of the PRC, investment in agriculture in Anhui comprised 61.6 percent of total investment. The proportion of agricultural investment to total investment during the 5-year plans which followed were: 35.9 percent during the First 5-Year Plan; 19.1 percent during the Second 5-Year Plan; 23 percent during the period of adjustment; 27.3 percent during the Third 5-Year Plan; 18.1 percent during the Fourth 5-Year Plan; and 11.7 percent during the Fifth 5-Year Plan.

Gradual, annual reductions in agricultural investment have become an important factor inhibiting the steady growth of agricultural production. According to an analysis made by the agricultural bureau of the Anqing Prefecture, the conditions of production in many areas there are gradually deteriorating. Since the founding of the PRC, investments in building new water conservancy systems and repairing old ones total 280 million yuan and have improved the irrigation of the fields. Poor maintenance of water conservancy systems over the last several years, however, has led to the deterioration of many water conservancy facilities. There are many overage and damaged water conservancy projects. Many electric pumps have suffered varying degrees of damage. The capacity to resist drought and to drain flooded fields have declined. The effectively irrigated area in the region is only 58.7 percent of the area which needs to be irrigated. The water conservancy facilities in Tu County were built during the 1960's and 1970's and is now badly needs maintenance. Standards based upon practice tell us that about 2 million yuan will be needed for maintenance, but the county treasury can only afford to appropriate one-third of this sum.

Many comrades, while not denying the necessity of increasing investment in agriculture, believe that a lot of money cannot be spent on agriculture given the nation's current financial difficulties. Moreover, according to the fourth number of BANYUE TAN of 1987, during the 6 years 1979 through 1985, the state's administrative operating expenses and spending increased at an annual

rate of 13.6 percent, which was faster than rate of increase of the treasury's income, the GVIO, and per capita income during this same period. The proportion of administrative operating expenses in total spending by the treasury was 29 percent in 1979, leaped to 33 percent in 1980, climbed still further to 37.4 percent in 1981, and reached 43 percent in 1985 or nearly half of all spending. Administrative operating expenses comprise too large a proportion of total expenditures and reduce the capital available for economic construction.

These two changing trends warn us that in order to build up the reserve strength of agriculture and to ensure the steady development of agriculture we must firmly reduce administrative operating expenses and use the money saved thereby on agriculture and other areas of economic construction.

Support by the state treasury is a necessary condition for the development of agriculture. This is very important not just for China, but also for developed countries. Although agriculture only makes up 4 percent of the national income in the United States of America, the government subsidizes it with 9 percent of treasury expenditures. The agricultural tax comprises just 1.7 percent of the tax revenue of the Federal Republic of Germany but agricultural investment accounts for 7 percent of the state budget. From 1973 to 1983 the European Community spent 70 percent of its budget on agricultural subsidies. Japanese agricultural subsidies during this same period totalled 100 million yen while the state received very little income from agriculture. The Shi Ji [Annals of the Historian], in the "Biography of Guan Yan" states "Knowing that giving is receiving is the secret of government." Let's all remember that old lesson.

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CSO: 4006/503

AGRICULTURE

PROCESSING USED TO DEVELOP ANIMAL HUSBANDRY IN NEI MONGGOL

Hohhot NEI MENGKU RIBAO in Chinese 2 Feb 87 p 4

[Article by Wang Xiga [2489 1585 0867], assistant director of the Department of Light Industry: "Following the Path of Processing To Increase Value Promotes Development of Animal Husbandry"]

[Text] In accordance with the strategic approach of the autonomous region's party committee of "managing vegetation to promote animal husbandry," the light industrial and textile front in Nei Monggol has changed direction and is following the path of processing to increase value and promote development of animal husbandry throughout the region, so as to enrich the autonomous region's economy.

Animal husbandry in Nei Monggol is inextricably linked to light industry and textiles. One cannot exist without the other; they are mutually complementary and essential to one another. The region's light industry is based upon animal husbandry; it came into existence because of animal husbandry, and it has grown stronger because of it. There are now more than 50 industries, 1,636 enterprises, and nearly 260,000 staff and workers, thus constituting an industrial system that is quite complete in terms of variety of industries and that has a certain scale and scope of production. It holds an important position in the autonomous region's economy.

In Nei Monggol's light industry and textiles, such trades as wool spinning, dairy products, leathers, carpets, papermaking, food and beverages, gluemaking, furniture, and ethnic articles are primarily engaged in processing animal products. Their primary source of raw materials is stockraising; their total output value of 1.7 billion yuan accounts for 71 percent of the region's total output value for light industry and textiles. This is why it is said that the region's light industry and textiles are primarily processing industries for agricultural, forestry, and animal products, and that they are dependent on stockraising for their existence and development. Without animal husbandry, the region's light industry and textiles would lose their lifeblood. Conversely, the development of animal husbandry certainly causes the tree of light industry and textiles rooted in the fertile soil of animal husbandry to produce deep roots and abundant foliage.

In order to develop animal husbandry, results must be sought through the processing of animal products to increase their value. Vigorous development of processing activities associated with grazing livestock, such as for hair, wool, hides, meat, milk, and bone, is essential for making the economy of the stockraising areas prosper, raising the output value and economic benefits of animal husbandry, and enriching farmers and herdsmen. Light industry and textiles bear primary responsibility for processing animal products; in particular, varied, multilevel finishing and comprehensive processing of the primary products of animal husbandry must be borne by light industry and textiles in order for the advantages of animal products as raw materials to become commodity advantages, which will greatly increase the value of the final products.

Striving to develop light industry and textiles will play a positive role in invigorating commodity circulation in farming and stockraising areas; developing a commodity economy; helping farmers and herdsmen to change their conservative concepts that value quantity above quality and that rely on nature; establishing concepts of exchange and new concepts of value; speeding up the transformation of animal husbandry from a natural economy to a commodity economy; raising the slaughter and marketing rates, turnover time, and the level of scientific stockraising; and establishing varied, multilevel, multichannel circulation networks in farming and stockraising areas that include such forms as direct exchange between industry and animal husbandry and joint industry-livestock operations.

Through product renewal and replacement and development of new products, light industry and textiles can also provide farmers and herdsmen with new and better articles for their productive life and more varied services, thereby influencing change in their productive life. In this sense, light industry and textiles also bear responsibility for helping farmers and herdsmen to gradually get away from their backward forms of production and for guiding them toward modernization.

Light industry and textiles are one of the mainstays of this region's financial income. "Intensifying efforts to promote animal husbandry" is a huge, systematic project that requires a long process of gradual progress; great successes will not be apparent after just a year and a half. Moreover, planting trees and raising livestock, improving breeds, and developing animal husbandry require large amounts of capital; if we rely solely on the accumulation of forestry and animal husbandry, it will be difficult to do these things in a short period of time. Hence it is necessary to exploit the characteristics and advantages of light industry and textiles as requiring little capital, yielding fast results, and having a high rate of accumulation, so as to accumulate funds for developing animal husbandry.

Backward science, technology, and education are crucial problems restricting the region's economic development and the development of animal husbandry, light industry, and breeding. Animal breeding in the region has long been hindered by traditional concepts, and production is still basically characterized by a backward and even primitive reliance on nature, within a closed, natural economy; quantity is increased at the expense of quality, the marketing rate is low, turnover is slow, and economic returns are low.

In the raising of dairy cows, for example, if we compare Nei Monggol to Heilongjiang, this region has 1.32 billion mu of grassland, whereas Heilongjiang has only 75 million mu, or only one-seventeenth that of this region. In 1982, output value for animal husbandry in Nei Monggol was 1,273,000,000 yuan, and in Heilongjiang it was 1,332,000,000 yuan, making our output value for animal husbandry only 95.57 percent that of Heilongjiang. In 1985, this region produced 14,317 tons of dairy products, while Heilongjiang produced 47,227 tons, making this region's production only 30.31 percent that of Heilongjiang. The main reason for this is that Nei Monggol has a lower proportion of fine-breed cows, and its raising methods are more backward. Because of the low level of scientific stockraising, the quality of this region's animal products is also very poor; because of poor stockraising conditions, for example, raw hides are subject to widespread damage by horsefly bites and larvae, wounds, whip marks, brands, etc. It is estimated that in Nei Monggol losses in the tanning value of cowhides caused by horsefly bites and larvae alone amount to 3.12 million yuan. According to information supplied by Nei Monggol livestock disease prevention and control stations, simply by providing 350,000 yuan in injections of veterinary medicines and popularizing inoculation, these losses could be avoided entirely. At the same time, methods for storing cowhides are very backward and urgently need to be improved.

Another key factor creating the region's backward light industry and textiles is a shortage of skilled manpower and backward technologies. There is currently a severe shortage of experts in the light industrial and textile system, especially senior and mid-level engineers and technical personnel, there being far fewer of them than the national average. The region's research facilities and conditions in light industry and textiles are also quite backward. The region is in first place nationwide in wool production, but it is in ninth place in the number of wool-spinning spindles. As of 1985, the country had 75 research institutions in spinning and weaving, yet this region does not have even one. The region has more than 1,300 enterprises in its light industrial system, yet to date it does not have a single research facility serving the entire region. This is clearly not suitable for developing light industry and textiles.

For this reason, light industry and textiles must be vitalized as quickly as possible, so that the advantage in resources can become an advantage in commodities; we must rely on policy first and on science second. We should give light industry and textiles the important position they should have in the national economy, paying close attention to and supporting them. Special policy consideration must be given to them in such areas as investment, taxation, loans, and supply of raw materials, truly implementing the principle of "six priorities," in order to foster reserve strength for faster development of light industry and textiles. Long- and short-term policies to facilitate this development must be formulated; this involves, macroeconomically, collaboration among state-run enterprises, urban collective enterprises, and township enterprises in light industry and textiles, and, microeconomically, enterprises should be invigorated, the burden on light industry and textiles should be lightened, and the problems of low profit retention by enterprises and their lack of capacity for self-development and

self-transformation should be solved, so as to facilitate their rehabilitation and their future, more rapid development.

Research and personnel training must be emphasized, with firm reliance on technological progress to promote the development of light industry and textiles. We must vigorously introduce advanced technology and equipment; technological upgrading of existing enterprises, especially mainstay enterprises, should be achieved more rapidly and on a planned basis, so that processing levels are raised as quickly as possible. We must also accelerate intellectual development, personnel development, and technical training, striving to improve the technical qualifications of staff and workers and the management levels of cadres. The corresponding research institutes and research, information, and technical consulting services, facilities, and bases must be established to promote improved research levels and to push growth in production.

The autonomous region's party committee has said: "We must achieve a breakthrough with township enterprises and follow the path of processing to increase value and achieve prosperity through work." This will be a tremendous impetus for promoting development of a commodity economy and stimulating circulation in agricultural, stockraising, and forest areas, and for enriching the economy in those areas. However, some of Nei Monggol's animal product resources are still limited. Light industry and textiles are still only in their early stages, but existing processing capacity in such lines as dairy products and tanning already exceed current production capacity for their raw materials. As enterprises for processing animal products spring up, cooperation among urban and rural areas and large and small enterprises within the region must be achieved first. Township enterprises must be enthusiastically supported, carefully planned, and correctly guided. Existing light industrial and textile enterprises must first form associations with township enterprises; varied forms, levels, and types of horizontal associations must be adopted among industry, agriculture, animal husbandry, and forestry, and between industry and trade. A policy for joint development of a commodity economy with the cities leading the towns and with large plants leading small plants must be implemented.

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AGRICULTURE

NEI MONGGOL AGRICULTURAL BANKS SUPPORT ANIMAL HUSBANDRY

Hohhot NEI MENGKU RIBAO in Chinese 6 Feb 87 p 1

[Article by De Bin [1795 2430]: "This Region's Agricultural Banks Support Animal Husbandry; Production Results Outstanding"]

[Text] This region's agricultural banks are supporting farmers and herdsmen in managing vegetation in order to promote animal husbandry. Using limited funds wisely and flexibly, the banks are helping farmers and herdsmen with their planting, feeding, and processing. In the last 5 years, 315,420,000 yuan in various kinds of animal husbandry loans have been issued in the region; from January through November 1986, the amount of animal husbandry loans issued increased more than 19 million yuan over 1985. Most of these loans have already yielded clear investment benefits. Farmers and herdsmen now feel that the agricultural banks have become powerful patrons for their development of stock production.

In order to promote development of stock production, the region's agricultural banks at all levels have given priority loans to support grassland construction projects to get herdsmen to make timely adjustments in the relationship between plant and animal production. In 1986 alone, they supported the planting of 830,000 mu in grass by farmers and herdsmen, a 38-percent increase over 1985. With the support of the agricultural banks over the last 5 years, Aohan Banner in Chifeng has planted more than 14,700 mu of fast-growing forest, artificially planted 2.05 million mu of grass, built 230,000 mu of enclosed fodder storage areas, and created 480,000 mu of land planted in grass and forest.

In light of the actual situation with the artificial and natural grasslands, they are also vigorously supporting farmers and herdsmen in constructing commodity bases for cattle, milk cows, fine-wool sheep, and lean-meat hogs, so as to raise the marketing rate and overcome the overemphasis on numbers of stock raised. With the support of the agricultural banks, the Horqin Leftwing Rear Banner is vigorously developing cattle production; by June of 1986 it had 260,000 head, leaping to first place among the region's banners and counties. In the last 5 years, this banner has sold 130,000 head of cattle to the state and generated more than \$3.6 million in foreign exchange. The banks have also given loan support to more than 23,800 farmer and herdsman families to develop dairy cow production. The region now has 250,000 head of fine-breed milk cows,

with annual milk production reaching 260,000 tons. Haka Township in Hailar now has more than 1,900 dairy cows; in 5 years they have sold more than 14,000 tons of fresh milk, putting the entire township on the path to wealth by raising dairy cows. Farmer Ma Fushan [7456 4395 1472] of Shuguang Township in Linhe has been vigorously fattening cattle with the support of the agricultural banks; he has raised the marketing rate, selling 344 head of beef cattle to the state in 1986; this man on his own has exceeded the beef cattle export assignment for the entire league.

In order to solve the problem of processing large quantities of animal products, the agricultural banks have also enthusiastically given loan support for construction of feed plants, dairy plants, and hide-processing plants. According to statistics, in 1986 alone the region's agricultural bank system provided more than 6.3 million yuan to support plant construction. There are now more than 50 dairy plants established with support from agricultural banks; their annual output of dairy products has reached more than 14,300 tons, a 240-percent increase over 1980, and they produce 16 brand-name products that have won awards for excellence from the autonomous region or above. At the same time as they are supporting planting, stock-raising and processing by farmers and herdsmen, the agricultural banks at all levels are supporting intensive construction of sheds and corrals in the various stock-raising areas in an effort to prevent disasters. In the first 10 months of 1986, they issued 1.9 million loan in loans to support construction of more than 5,240 sheds and corrals. With support from the agricultural banks, Hulun Buir League has constructed more than 6,100 sheds and fences in the last three years, providing excellent wintering conditions for 70 percent of the livestock.

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AGRICULTURE

SHANXI REFORMS GRAIN, COTTON, OIL PURCHASES

Taiyuan SHANXI NONGMIN in Chinese 3 Mar 87 p 1

[Article by correspondent Du Tiaorong [2629 2176 2837], "Speech of Shanxi Provincial Party Committee Deputy Secretary Wang Jiangong [3769 1696 0501] at the Provincial Rural Work Conference; Reforms in Shanxi Province in the Purchase of Grain, Cotton, and Oil"]

[Text] Du Tianrong, provincial CPC Committee Deputy Secretary, delivered a speech titled "Further reforms, increase back-up support; promote the rural economy, and continue steady development" at the start of the Provincial Rural Work Conference which began 28 February. After analyzing the rural situation setting forth this year's task, he discussed this year's reforms in the purchase of grain, cotton, and oil.

Grain

Comrade Wang Jiangong stated: Last year, Shanxi suffered the second worst drought since the founding of the PRC. This year's grain production of 7,325,000,000 kg is 11 percent lower than the previous year's harvest. This year we must put grain production first and work hard to bring grain production up to 8 billion kg. To accomplish this, the provincial committee has implemented five reforms in the purchase of grain, as follows:

1. Reduce the required grain purchase index. Except for the restoration of the agricultural tax in kind which is a levy on a fixed quantity of grain, the grain fixed-purchase levy is reduced 150 million kg from last year's level to 800 million kg. In addition, in order to assure the stability of grain prices and of the grain supply, we will need 500 million kg of "negotiated price association negotiated grain." Once the peasants have completed their fixed quota and their "negotiated price association grain," they may sell their remaining grain on the free market.

2. The purchase price of wheat and husked rice will remain at their present level. The price of autumn grain, on the basis of the "inverse 3 : 7" ratio, is increased 1 yuan per 50 kg. The "negotiated prices association negotiated grain" price is based on the average market price in the area during the period in which purchases are made. The purchase price paid depends upon quality.

3. Continue to link the prepayments to the prices of grain, chemical fertilizer, and diesel oil. Every exchange of 50 kg of grain (or husked rice) is equivalent, furnished at parity, to 10 kg of chemical fertilizer, and 2 kg of diesel oil. Every exchange of 50 kg of autumn wheat is equivalent, furnished at parity, to 5 kg of chemical fertilizer and 2 kg of diesel fuel. Every household which signed a contract to provide grain shall receive a 20-percent prepayment from the agricultural department. Moreover, this year 1.5 million mu of grain fields are covered with vegetation; for every mu of these fields which is planted in food crops the provincial treasury will provide a subsidy of 3 yuan and provide 5 kg of chemical fertilizer at parity. For those with many mu of grain fields which receive a subsidy as a field which was previously covered with vegetation 50 kg of grain will be sold at the negotiated price.

4. The province will implement grain purchase contracts with the markets in each locality.

5. The grain department should strengthen its management of parity prices and negotiated prices in order to stimulate production effectively.

Cotton

Comrade Wang Jiangong stated: The area planted in cotton and cotton production in Anhui has declined for the last 2 years. Total production in 1986 of 64,365,000 kg is 24 percent less than the 1985 figure. This year the following measures are being taken to fulfill cotton purchase contracts of 85 million kg.

1. The cotton purchase price is adjusted from the "reverse 4 : 6" ratio to the "inverse 3 : 7" ratio.

2. Continue to carry out the "1 kg of fertilizer for every 1 kg of cotton" to reward cotton production. Require grant tickets as evidence. Transport the fertilizer to the correct place to ensure that it does the most benefit.

3. Insist on negotiating a price depending upon the quality of the cotton. Implement the pricing policy properly.

4. In the three key cotton-producing counties of Yongji, Linqi and Xiangfen, experiment with encouraging the peasants to sell unginced cotton, give the peasants the opportunity raise the cotton to a higher grade through processing and reduce the processing fee for unginced cotton by an appropriate amount.

Oil

In 1986 Shanxi produced a total of 351,745,000 kg of oils, a decline of 20.9 percent compared with the previous year. The following measures are being taken this year to encourage the peasants to increase their oil production.

1. The prices of peanut (oil) and cotton (oil) is changed from the "inverse 4 : 6" price and increased to the price above purchase quota. Flax, rapeseed,

yellow mustard [?], sesame, cai hua zi [5591 5363 4750] should be purchased at the "inverse 4 : 6" ratio and the amount purchased should be unrestricted.

2. A policy of linkage should be implemented for quota contract purchases of oil products. For every 50 kg of oil products sold, 25 kg of chemical fertilizer and 2.5 kg of diesel oil should be sold at parity.

3. Conscientiously summarize and popularize the experience of the flax, cai hua [5591 5363, possibly a misprint for cauliflower], and commodity oil production regions. Gradually use the money spent on purchasing oil from other regions on supporting the production of oil in the region. Conscientiously build the oil products production base in order to make Shanxi Province basically self-sufficient in oil.

4. Continue to implement the contract system for the purchasing and selling of oil.

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TRANSPORTATION

BRIEFS

SHANGHAI AIR LINES--Beijing, 10 April (XINHUA)--The Shanghai branch of the China National United Civil Air Lines opened yesterday, with the branch's inaugural flight scheduled for 15 April from Shanghai's Jiangwan Airport to Xuzhou and Beijing. The Shanghai-Xuzhou-Beijing line runs Wednesdays and Saturdays, and the branch has plans for routes including Shanghai-Chengdu, and Shanghai-Guangzhou. [Text] [Beijing XINHUA in English 1056 GMT 10 Apr 87 OW] /12858

EAST CHINA RAILWAY CONSTRUCTION--Shanghai, 19 April (XINHUA)--Railway construction is making headway on an unprecedented scale in East China in an effort to ease traffic congestion there, according to Li Xuan, director of the East China Railway Construction Headquarters. The Ministry of Railways has decided to allocate 7 billion yuan to railway projects in the area, accounting for one-fifth of the country's total investment in railway construction in the Seventh Five-Year Plan Period (1986-90), he said. By the end of 1990, 473 kilometers of new railways will be built, 513 kilometers of existing railways electrified and 740 kilometers double-tracked. Electrification of the Yingtian-Xiamen Railway is now under way, construction has started on a new railway running from Shangqiu in Henan Province to Fuyang in Anhui Province, track-laying for the Daye-Shahejie Railway will be completed, and the new Shanghai Railway Station will be put into operation this year, he said. An economically developed area, East China boasts one-third of the country's total industrial output value, yet its railways account for only one-tenth of the country's total. Experts say that when the new railway projects are completed, the area will have more coal from the north, which will ease the energy shortage, and freight and passenger transport there will be further improved. [Text] [Beijing XINHUA in English 0652 GMT 19 Apr 87 OW] /12858

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CHINESE MEDIA ON FOREIGN ECONOMIES

COMPARISON OF SOVIET, CHINESE ECONOMIC REFORMS

Tianjin ZHONGQINGNIAN JINGJI LUNTAN [YOUNG ECONOMIST FORUM] in Chinese No 1 Jan 1987 pp 59-63

[Article by Gao Tiesheng [7559 6993 3932], 46 years old, World Economics and Politics Research Center, Chinese Academy of Social Sciences, and Zheng Biao [6774 1753], 37 years old, Economics Department, Jilin University: "Comparison of Economic Reforms: Comparative Study of Chinese and Soviet Economic Reforms"]

[Text] [Editor's Note] The 27th CPSU Congress marked a turning point, ending almost 30 years of tortuous economic development and putting the Soviet economy on the road of "fundamental reform." Despite some similarities in the theory and practice of economic reform in China and the Soviet Union, there are also some striking differences between the two countries due to differing national characteristics. A comparative study of economic reform in China and the Soviet Union will certainly provide some helpful insights into both our further study of the Soviet economy and its reforms as well as into our establishment of a socialist economic system with Chinese characteristics during the Seventh 5-Year Plan. [End Editor's Note]

[Text] I. Ownership of the Means of Production and the Form of Management

Both China and the Soviet Union have broken with the mistaken concept that socialist ownership means "the bigger the units and the more public ownership, the better." In practice, both countries are restructuring ownership and using a correspondingly greater variety of management. But due to different national conditions and different understanding of the problem, there are large differences in the theory and practice of ownership. Because China's level of production is lower, public ownership remains key but it will coexist for a long time to come with a variety of economic forms. The Soviet level of production is relatively high and at the same time the theory of ownership has not been relaxed very much, so that official theory persists in opposing the existence of a private economy. But in practice the Soviet Union has tacitly allowed the revival of individual businesses in the service industry, reportedly with quite good results. On the other hand, the Soviet Union will never go too far in developing individual businesses. Most of its efforts in restructuring ownership will be within the structure of public ownership. In specific terms, it will no longer zealously promote the transition from

collective ownership to national ownership; at the same time it will vigorously develop the collective economy, in particular the cooperative economy.

Gorbachev, in his report to the 27th CPSU Congress, discussed at considerable length the question of ownership, raising some ideas worthy of our attention. For example, he admitted that socialist ownership is a dynamic process, which objectively requires frequent adjustment; he admitted that the Soviet Union was guilty of oversimplifying the question of ownership, and he believed that the cooperative system was far from achieving its potential. Especially noteworthy is Gorbachev's linking the question of socialist autonomy and ownership; in his view, autonomy is a way to inculcate among workers an awareness of being in control.

The contract system is worth mentioning in regard to implementing a variety of economic forms. At present the Soviet Union is promoting on a large scale various forms of the contract system (including the family contract system) in agriculture and other industries. Previous local experiments serve as a basis for this, but the Soviet Union has also been influenced by China's success with its rural output-related contract responsibility system. But due to the differing levels of agricultural production, the Soviet Union will obviously not copy our methods exactly. While widely promoting the contract system in agriculture, the Soviet Union really has not loosened its grip very much, for it has established a central national commission for agriculture and industry to strengthen macroeconomic control. In addition, Soviet investment in agriculture is high, agriculture is quite mechanized, and there is considerable arable land per person (making agricultural mechanization even more viable). Given these favorable factors, if the Soviets succeed with their reforms, they could very well achieve a striking transformation of their backward agricultural production within a short period of time.

II. Socialist Commodity Production

Both China and the Soviet Union have discarded the traditional "natural economy theory" in the course of reform, recognizing that socialist enterprises are commodity producers, which must be responsible for profits and losses, and so on. But there are still major differences between the two countries concerning this theoretical question. Based on a penetrating summary of the lessons learned from the theory and practice of socialist commodity production internationally and domestically, China, in the authoritative form of a party resolution, has proposed the scientific thesis that the socialist economy is a planned commodity economy based on public ownership. The breakthrough achieved by the planned commodity economy theory has greatly advanced progress in the study of socialist political economics. It has also become a direct theoretical precursor to economic reform and economic development. However, how do we correctly understand the planned commodity economy, and how do we correctly separate it in theory and practice from the product economy and the capitalist commodity economy? This question demands further inquiry. But the Soviet Union is different. On the question of commodity production, it would never "act rashly" in practice without first getting the theory completely right. After rejecting the "natural economy" theory in the 1960's, the Soviet Union set forth the theory of a "new content"

in the relationships between socialist commodities and money, i.e., although relationships exist between commodities and money under socialist conditions, these relationships are not original ones, they are not in the form of universal connections, and they do not reflect the true nature of socialist production relationships. For these reasons, the socialist economy is not a commodity economy, and the relationships between commodities and money are merely a direct expression of social connections. Although the theory of a "new content" is a considerable improvement over the "natural economy theory," it still denies that the socialist economy is a commodity economy. This idea has continued to dominate the Soviet Union, with very little change. In his report to the 27th CPSU Congress, Gorbachev appealed for an end to the "fixed prejudices" and "underestimating" of commodity-money relationships under socialist conditions; he called for allowing "commodity-money relationships to play a healthy role in accord with the principles of socialism." This shows that Gorbachev is dissatisfied with the current Soviet theory on the relationships of commodities and money. Theoreticians need to advance new commodity production theories for Gorbachev's "fundamental reforms." From some of the reforms measures proposed in Gorbachev's report to the 27th CPSU Congress, it appears that the Soviet Union may be approaching a "planned economy with commodity production and commodity exchange," or more simply, the "commodity planned economy theory," proposed by certain Chinese academics during discussions of planned commodity economic theory. But there still is a fairly large gap between the Soviet view and the interpretation by Chinese scholars of the primary guidance nature of the planned commodity economy.

III. The Relationships Between Planning and the Market To varying degrees, both China and the Soviet Union have abandoned the outdated attitude that a planned economy is antithetical to and incompatible with market mechanisms. Both promote using economic methods to control the economy, and have in practice introduced market mechanisms, reducing planning of a mandatory nature. Reforms in both countries are focused on adjusting the relationships between the state and enterprise, and are moving toward expanding the enterprise's rights of self-management; both countries have suggested changing the economic functions of the State Planning Commission and the excessive intervention and control that state organs and upper level departments exert over lower departments and enterprises; both are trying to reform an ossified price system, etc. However, there have been major differences in both theory and practice in the way that China and the Soviet Union have dealt with the relationships between planning and the market.

1. Understanding of the planned economy: The "Decision of the CPC Central Committee on Reform of the Economic System" stated that the planned economy is a planned commodity economy. But the Soviet Union has steadily maintained that the socialist economy is a planned economy and is not a commodity economy, emphasizing that commodity-money relationships can only be an expression of planned connections.

2. The use of market mechanisms and the market's regulatory role: Objectively speaking, the socialist economy uses market mechanisms at three different levels: a) using planned market mechanisms; b) using regulatory market mechanisms; c) using spontaneous market mechanisms. In the planned economy, these three market mechanisms are controlled and affected to differing degrees

by the plan. In general, in the old system, before the reforms of the economic system in socialist countries, the first market mechanism was scarcely used; for a certain period of time, socialist economic development was even oriented toward the elimination of this market mechanism. Soviet economic reforms in the mid 1960's proved the theoretical necessity of this kind of market mechanism, and in actual fact made use of it. But at the same time the Soviets made this market mechanism an absolute, believing that only a "planned," "organized" market mechanism was in accord with the true nature of the planned economy. We see from Gorbachev's report to the 27th CPSU Congress that he neither repeated criticism of the market's regulatory role nor did he expound a new theoretical understanding of the market's regulatory role. But we can see from the reform measures revealed in this report that appropriate use will be made from now on of regulatory and spontaneous market mechanisms. These include implementation of price limits and contract prices; expanding the right of collective farms to sell on their own farm products in excess of the plan; allowing light industry enterprises to adjust production according to market needs; etc.

3. With regard to planning-market relationships, from the beginning Chinese economic reforms have consistently been oriented solely toward expanding market mechanisms. When the decision on reform of the economic system was made in 1984, the question of macroeconomic control had actually not been raised. Before long, experience made people recognize that strengthening macroeconomic control of the national economy should be a characteristic of a planned commodity economy. To a certain extent Soviet economic reforms in the 1950's led to loss of macroeconomic control (which was different from what we had); memory of that experience remains vivid even today. Looking around the world, countries in Eastern Europe also experienced loss of macroeconomic control during economic reforms. The Soviet Union is extremely cautious in this regard. Gorbachev's report to the 27th CPSU Congress shows that strengthening necessary centralization and implementing appropriate decentralization are the two basic strategies, parallel to each other, which the Soviet Union will be pursuing in the future. The 27th CPSU Congress has proposed changing the economic functions of the State Planning Commission, allowing light industry enterprises to adjust production to a certain extent according to changing market demand, etc. But not only is the Soviet Union unable to get rid of mandatory planning, it also is unable to rely primarily on indirect macroeconomic controls; the most it can do is to rely primarily on direct controls, assisted by indirect controls.

IV. Rewards Distributed According to Contribution

In this area of reform, China and the Soviet Union both face three common problems: a) overcoming egalitarianism; b) improving material benefits for intellectuals; c) implementing socialist principles of justice. On the question of egalitarianism, the Soviet Union has consistently opposed it ever since the time of Lenin. Even though egalitarianism is currently a fairly serious problem in compensation, the overall situation is much better than in China, for egalitarian notions among cadres and the masses are relatively mild, and overcoming the problem in society meets with less psychological resistance than in China. Egalitarianism in China is very deep-rooted and has a long history, due to the longstanding, pervasive influence of small

production, along with the provisions system practiced by the army during the years of revolutionary war and the equation of egalitarianism and socialism for so many years after the founding of the country. The policy of allowing some people to prosper first, made at the 3d Plenum of the 11th CPC Central Committee, has been dealing a serious blow to egalitarian notions. But wage reform is still far from touching upon the problem of egalitarianism. Given the dramatic S&T developments in the current world, the most pressing problem of egalitarianism for China and the Soviet Union to overcome is to truly improve the material benefits for intellectuals. The Soviet Union has moved very quickly on this problem. In the past 2 years, the Soviet Union has been making large increases in the wages of intellectuals working in education, science, and other fields, and has been improving their material benefits and social status. The situation in China is much more complicated. For thousands of years in China, the dominating concept has been that "officials are more valuable than ordinary people" (in overall terms, intellectuals have historically been grouped with "ordinary people"). Even today, this concept is still deep-rooted among some cadres and ordinary people. The current wage system not only does not help stir up enthusiasm among older intellectuals, it also does not tend to arouse the initiative of middle-aged and younger intellectuals (this is one of the major reasons why some middle-aged and younger intellectuals have "set aside their pens to go into government work or business" or have gone overseas to "take refuge"). It has also created many unnecessary disagreements and conflicts. The facts have proven that there is still considerable economic resistance making it difficult to implement the policy on intellectuals. Let us say more about the principles of socialist justice. The socialist system is the most superior and most just social system that there has ever been. Justice is an important expression of the superiority of the socialist system. In order for us to develop the socialist commodity economy and break out of poverty, we must encourage some people to, by dint of their own hard work, become prosperous before others. But we cannot sacrifice the principles of socialist justice. In our economic reforms we oppose egalitarianism, but at the same time we must conscientiously prevent excessive disparities in income among enterprises and especially among members of society. We must use taxes and wage policy as a lever to appropriately regulate the income level of various members of society. If this is not done, serious aberrations in the public mood may result, thus hindering the orderly progress of economic reforms. This is an important lesson from Hungarian economic reforms. When the 27th CPSU Congress resolved to carry out "fundamental reforms," it clearly stated that the Soviet Union must adhere to the principles of socialist justice, and severely attacked "income not derived from labor." Socialist justice was given top priority among those items within society which are to undergo "accelerated development." This point also deserves our serious attention.

V. Opening up to the Outside

Economic reforms in all socialist countries face the problem of how best to respond to the international economic environment: those which still have not opened up must do so, while those which already have, should open up more. Before liberation, China had a long history of "isolating itself from the world." For a number of different reasons, China remained in this state of isolation after the founding of the nation. Since the 3d Plenum of the 11th

CPC Central Committee, we have finally started to shift from isolation and semi-isolation to an open economy which actively uses international exchanges. But due to subjective and objective reasons, our theoretical preparation for opening up to the outside was insufficient and there was not enough practical experience, and so there have been cases where we suffered losses or were cheated. The Soviet experience is somewhat different. Old Russia started in the latter part of the feudal serf period (the time of Peter the Great) to open the door widely to the outside. The whole country learned from the West, and in recent history the door was never closed, so that by the end of the 19th century it had become one of the imperialist powers. After the victory of the October Revolution, Lenin immediately stated that socialist development must follow the principle of being open to the outside, and he gave a theoretical and policy basis for Soviet Russia's opening to the outside. The Soviet Union was open to the outside during the New Economic Policy period and the First 5-Year Plan; the impressive results contributed considerably to the restoration and revival of the Soviet economy. Of course, the Soviet Union has followed a winding road with regard of being open to the outside. Because Stalin did not have a thorough understanding of independence and reliance, opening up to the outside was not, relatively speaking, actively pursued after the First 5-Year Plan. In particular, Stalin's theory about two parallel world markets, put forth after the war at a time when there was unprecedented growth in international economic ties, had a negative effect on theory and practice. But this mistake was corrected before long. Due to its continued opening up to the outside since the 1960's and 1970's, the Soviet Union has obtained many benefits from foreign economic ties.

In opening up to the outside, the Soviet Union has had several experiences from which we can learn:

1. The Soviet Union has historically valued the study of the world economy and international relations, so that it has a large body of theoreticians. Although dogmatism runs quite deep, overall the theoretical level is fairly high, and there is considerable breadth and depth to the fields of study. The Soviets attach great importance to international academic exchanges and international investigations in this field. The results of research have a primary influence on policymaking, and many famous scholars in this field personally serve as diplomats (Gromyko, for example, started out as a scholar).

2. The Soviet Union has a great deal of practical experience in dealing with capitalist countries, so that there have been relatively few incidents of losing out or being outwitted. To a large extent, this is because the professional quality is quite good for cadres in Soviet departments which deal with foreign countries. The importing of major items and the go-ahead for projects must generally go through a strict process of evaluation and approval. They can thus largely avoid major policy mistakes.

VI. The Question of Models

Economic reforms in all socialist countries face the problem of choosing a model. Our model is the planned commodity economy model. Although many theoretical problems in this model still have not been clarified, we are after

all already on our way toward this model. For a very long time the Soviet Union opposed mention of "a variety of socialist models"; they only would admit to the perfection of the economic system, not to its reform. This thus eliminated the problem of choosing a model for reform. Since coming to power, Gorbachev has not willfully reproached the models for reform chosen by other socialist countries. The report to the 27th Congress shows that in fact the Soviet Union is searching for its own target model.

We should note that Soviet economic reforms since the 1960's and 1970's have changed to a certain extent the economic models from the Stalin era. Some foreigners have called it an improved centrally planned economy model. Experience has shown that this model still has not escaped from the ruts of the original system, that it is still an inefficient model. Gorbachev's proposed "fundamental reforms" are intended to make the shift away from this model of a system. Some Chinese and foreign scholars feel that the Soviets will never abandon the original model and carry out fundamental reform. But this view underestimates the urgent necessity of transforming the model of the Soviet economic system, and the resolve of the Soviet leaders to carry out a relatively thoroughgoing reform in conformity to the demands of historical developments. There is no need for the Soviet Union to hold on to the original model. What the Soviet Union adheres to is the planned economy; on the condition that socialist principles are maintained, it desires to appropriately integrate planning and the market. Attaining this goal could, in a certain sense, be considered as the complete transformation from the old system to the new one. Everyone knows that theoretical models are abstract by their very nature, and that there is no model which every country in the world accepts as one which it must follow in its reforms. Even if the same theoretical model is used, its actual application in different countries will result in special features. Therefore we should not use our own "model-mentality" to evaluate whether or not the Soviet Union has achieved a transformation of models. Because the Soviets give even greater emphasis to the planned economy, their model will be the key to whether or not the Soviets can transform the old system into the new one is Gorbachev's ability to truly carry out "fundamental reforms." It would appear from the 27th CPSU Congress that the possibility exists. The problem is that we should have a scientific understanding of just what fundamental reform means. On the one hand, some Western scholars feel that only when the Soviet Union abandons public ownership of the means of production and the planned economy will the reforms be "fundamental" and "thoroughgoing." On the other hand, because reforms of China's economic system in recent years have made great strides and shown striking results, some comrades have tended to "set ourselves up as the standard," as if the only reforms which are fundamental or "major" are those which blindly follow our every step. Neither viewpoint is correct. We believe that Soviet economic reforms will inevitably retain a high degree of centralized macroeconomic economic policymaking in its economic policymaking structure. The Soviets should change the current direct state control of enterprises, gradually converting direct control to a combination of direct and indirect controls and allowing enterprises to become (or to basically become) economic entities which run themselves and are responsible for profits and losses.

With regard to the structure of ownership, they should reform the single-level structure of public ownership, vigorously develop the cooperative economy, develop as appropriate the private economy, and implement a variety of economic forms suited to Soviet conditions and a corresponding variety of management methods. With regard to the system of economic interests, they should correctly handle the relationships between the state, enterprise (collective), and individual, conscientiously putting an end to egalitarianism and giving to each according to his work. As for the structure of economic organization, they should change the strictly separated vertical channels and truly strengthen lateral economic ties. If the Soviets can accomplish the above (how to theoretically bring it all together is a separate matter), their reforms should be regarded as fundamental.

A second question is, does thoroughgoing reform mean the thoroughgoing rejection of the old system? In some Chinese and foreign discussions of the "transformation of models," there is the tendency to "totally condemn" the old system, proposing that reform must "completely start from scratch." We believe that the key reason for changing the old system is that it did not accept that socialism is a commodity economy. This meant that in both the systems of ownership and economic management, it consciously or unconsciously thought it was carrying out planning management according to the "product economy," but in fact it was characterized by the "natural economy." The target of attack in reform is thus everything which does not accord with the planning management system required by a commodity economy; the intention is not to "perform surgery" on the planned economy. Therefore, we must develop whatever is consistent with the needs of a commodity economy and whatever planning management methods are required for commodity production based on major, socially oriented production; it would never go to eliminate these methods.

We see from this that transformation of the old system into a new one is a form of dialectical negation. The establishment of a planned commodity economy model inevitably retains the "rational core" of the old system. In fact, both we and the Soviets have some planned economy management experiences which are worth passing on. With regard to planning, although the Soviet planning system may be clumsy, its planning system (long-term, mid-term, and short-term planning, planning for economic, social, and scientific progress, etc.), methods for drawing up plans, modern S&T procedures, abundant experience in planning work, etc., possess a scientific quality which our planning cannot match. As to the structure of macroeconomic policymaking, the Soviet Union has strict procedures for approving decisions on capital construction; there are relatively few "informally approved" and poorly conceived projects, with correspondingly few policy mistakes. With regard to economic policy toward individuals, Soviet employees have historically had the freedom to choose their profession and workplace (except during the war). The Soviets believe that there are only advantages, and no disadvantages, to maintaining a certain percentage of labor mobility (6 to 8 percent). It allows people to do what they are best at, it benefits the everyday life of the employee and his family, it helps human relationships, and so on.

Now that the 27th CPSU Congress has been held and the Soviet Union has started on the path of "fundamental reform," China and the Soviet Union have in fact

begun to compete in economic reform and economic growth. In this competition, the ability to effectively absorb the other's good points while overcoming one's own shortcomings will to a certain extent influence the outcome of the contest. With this in mind, the comparative study of economic reforms in China and the Soviet Union may help to correct the theoretical and practical deviations caused by excessive "looking to the West."

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